

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

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**FORM 10-K**

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(Mark One)

- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** For the fiscal year ended May 29, 2016
- 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**

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 \$57.05 per share as reported on the New York Stock Exchange on November 27, 2015, was approximately: \$6,643,470,000.

Number of shares of Common Stock outstanding as of May 29, 2016 : 126,215,727 (excluding 1,268,251 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 29, 2016, to be filed with the Securities and Exchange Commission no later than 120 days after May 29, 2016, 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 29, 2016 are incorporated by reference into Parts I and II of this Report.

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DARDEN RESTAURANTS, INC.  
FORM 10-K  
FISCAL YEAR ENDED MAY 29, 2016

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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 2017, 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,” “outlook” 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.”

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## PART I

### Item 1. BUSINESS

#### Introduction

Darden Restaurants, Inc. is a full-service restaurant company, and as of May 29, 2016, we owned and operated 1,536 restaurants through subsidiaries in the United States and Canada under the Olive Garden<sup>®</sup>, LongHorn Steakhouse<sup>®</sup>, The Capital Grille<sup>®</sup>, Yard House<sup>®</sup>, Seasons 52<sup>®</sup>, Bahama Breeze<sup>®</sup>, and Eddie V's Prime Seafood<sup>®</sup> and Wildfish Seafood Grille<sup>®</sup> (collectively "Eddie V's") trademarks. We served over 334 million meals in fiscal 2016. As of May 29, 2016, we also had 50 restaurants operated by independent third parties pursuant to area development and franchise agreements. The following table details the number of Darden owned and operated restaurants, as well as those operated under franchise agreements, as of May 29, 2016.

| Number of restaurants     | Olive Garden | LongHorn Steakhouse | Yard House | The Capital Grille | Bahama Breeze | Seasons 52 | Eddie V's (2) | Total Restaurants |
|---------------------------|--------------|---------------------|------------|--------------------|---------------|------------|---------------|-------------------|
| Owned and operated:       |              |                     |            |                    |               |            |               |                   |
| United States (1)         | 837          | 481                 | 65         | 54                 | 37            | 40         | 16            | 1,530             |
| Canada                    | 6            | —                   | —          | —                  | —             | —          | —             | 6                 |
| Total                     | 843          | 481                 | 65         | 54                 | 37            | 40         | 16            | 1,536             |
| Franchised:               |              |                     |            |                    |               |            |               |                   |
| U.S. (3)                  | —            | 8                   | —          | —                  | —             | —          | —             | 8                 |
| Puerto Rico               | 3            | 7                   | —          | —                  | —             | —          | —             | 10                |
| Middle East               | 5            | 2                   | —          | —                  | —             | —          | —             | 7                 |
| Central and South America | 19           | 1                   | —          | 1                  | —             | —          | —             | 21                |
| Malaysia                  | 2            | 2                   | —          | —                  | —             | —          | —             | 4                 |
| Total                     | 29           | 20                  | —          | 1                  | —             | —          | —             | 50                |

(1) Includes three restaurants located in Central Florida and three restaurants in California that are owned jointly by us and third parties, and managed by us.

(2) Includes 13 Eddie V's and 3 Wildfish restaurants.

(3) Includes six franchised LongHorn Steakhouse restaurants located in the San Antonio, Texas area and two franchised U.S. airport restaurants.

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

On November 9, 2015, we completed the spin-off of Four Corners Property Trust, Inc. (Four Corners) with the pro rata distribution of one share of common stock for every three shares of Darden common stock to Darden shareholders. The separation included (i) the transfer of 6 LongHorn Steakhouse restaurants located in the San Antonio, Texas area and 418 restaurant properties to Four Corners; (ii) the issuance to us of all of the outstanding common stock of Four Corners and corresponding pro rata distribution to our shareholders of the outstanding shares of Four Corners common stock as a tax-free stock dividend; and (iii) a cash dividend of approximately \$315.0 million received by us from Four Corners from the proceeds of Four Corners' term loan borrowings. Additional information is included in Note 2 "Real Estate Transactions" under Notes to Consolidated Financial Statements in our 2016 Annual Report to Shareholders, which is incorporated herein by reference.

We have a 52/53 week fiscal year ending the last Sunday in May. Our fiscal year 2016 ended May 29, 2016 and consisted of 52 weeks, fiscal 2015 ended May 31, 2015 and consisted of 53 weeks, and fiscal 2014 ended May 25, 2014 and consisted of 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.

## **Segment Information**

We manage our restaurant brands in North America as operating segments. The brands operate principally in the U.S. within full-service dining. We aggregate our operating segments into reportable segments based on a combination of the size, economic characteristics and sub-segment of full-service dining within which each brand operates. We have four reportable segments: 1) Olive Garden, 2) LongHorn Steakhouse, 3) Fine Dining (which includes The Capital Grille and Eddie V's) and 4) Other Business (which includes Yard House, Seasons 52, Bahama Breeze, consumer-packaged goods and franchise revenues). External sales are derived principally from food and beverage sales, we do not rely on any major customers as a source of sales and the customers and long-lived assets of our reportable segments are predominantly in the U.S. There were no material transactions among reportable segments. Additional information about our segments, including financial information, is included in Note 6 "Segment Information" under Notes to Consolidated Financial Statements in our 2016 Annual Report to Shareholders, which is incorporated herein by reference.

## **Restaurant Brands**

### *Olive Garden*

Olive Garden is an internally-developed brand and is the largest full-service dining Italian restaurant operator in the United States. Olive Garden offers a variety of Italian foods featuring fresh ingredients presented simply with a focus on flavor and quality, and a broad selection of imported Italian wines. In fiscal 1983, Olive Garden opened its first restaurant in Orlando, Florida.

Most dinner menu entrée prices range from \$10.00 to \$20.00, and most lunch menu entrée prices range from \$7.00 to \$15.00. The price of each entrée includes as much fresh salad or soup and breadsticks as a guest desires. During fiscal 2016, the average check per person was approximately \$17.50, with alcoholic beverages accounting for 6.8 percent of Olive Garden's sales. Olive Garden maintains different menus for dinner and lunch and different menus across its trade areas to reflect geographic differences in consumer preferences, prices and selections, as well as a smaller portioned, lower-priced children's menu.

### *LongHorn Steakhouse*

LongHorn Steakhouse is a full-service steakhouse restaurant with locations primarily in the eastern United States, operating in an atmosphere inspired by the American West. We acquired LongHorn Steakhouse in October 2007 as part of the RARE Hospitality International, Inc. (RARE) acquisition. LongHorn Steakhouse restaurants feature a variety of 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 \$25.00, and most lunch menu entrée prices range from \$7.50 to \$15.50. The price of most entrées includes a side and/or salad and as much freshly baked bread as a guest desires. During fiscal 2016, the average check per person was approximately \$20.50, 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.

### *Yard House*

Yard House is a full-service restaurant operating in metropolitan areas across the United States and is known for great food, classic rock and features over 100 draft beer offerings. The American menu includes more than 100 chef driven items with a wide range of appetizers, snacks, burgers and steaks, street tacos, salads, sandwiches, fresh fish and a generous selection of vegetarian dishes. Yard House opened its first restaurant in 1996 and we acquired Yard House in August 2012.

Yard House design elements create a contemporary, yet casual, "come as you are" environment. Most lunch and dinner menu entrée prices at Yard House range from \$9.00 to \$33.00. During fiscal 2016, the average check per person was approximately \$31.50, with alcoholic beverages accounting for 37.5 percent of Yard House's sales. Yard House maintains

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.

#### *The Capital Grille*

The Capital Grille is a full-service restaurant with locations in major metropolitan cities in the United States and features relaxed elegance and style. We acquired The Capital Grille in October 2007 as part of the RARE acquisition. 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, a comfortable club-like atmosphere, and premiere private dining rooms.

Most dinner menu entrée prices range from \$16.00 to \$62.00 and most lunch menu entrée prices range from \$12.00 to \$39.00. During fiscal 2016, the average check per person was approximately \$77.00, with alcoholic beverages accounting for 29.1 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.

#### *Bahama Breeze*

Bahama Breeze is an internally-developed full-service restaurant brand operating primarily in the eastern United States, that offers guests the feeling of a Caribbean escape, with food, drinks and atmosphere found in the islands. The menu features distinctive, Caribbean-inspired fresh seafood, chicken and steaks as well as handcrafted tropical cocktails. In fiscal 1996, Bahama Breeze opened its first restaurant in Orlando, Florida.

Most lunch and dinner menu entrée prices at Bahama Breeze range from \$7.00 to \$30.00. During fiscal 2016, the average check per person was approximately \$27.00, with alcoholic beverages accounting for 23.3 percent of Bahama Breeze's sales. Bahama Breeze maintains 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 an internally-developed full-service restaurant brand operating primarily in the eastern United States, with a casually sophisticated, fresh grill and wine bar that offers a seasonally changing menu inspired by the appeal of a local farmer's market. The menu includes an international collection of more than 100 wines, with 52 available by the glass, along with exceptional signature handcrafted cocktails. In fiscal 2003, Seasons 52 opened its first restaurant in Orlando, Florida.

Most dinner menu entrée prices at Seasons 52 range from \$13.00 to \$32.00, and most lunch entrée prices range from \$9.00 to \$32.00. During fiscal 2016, the average check per person was approximately \$45.00, with alcoholic beverages accounting for 25.8 percent of Seasons 52's sales. Seasons 52 maintains different menus for dinner and lunch and different menus across its trade areas to reflect geographic differences in consumer preferences, prices and selections.

#### *Eddie V's*

Eddie V's is a full-service restaurant with locations in major metropolitan cities in the United States with a sophisticated and contemporary ambiance, featuring live nightly music in the V-Lounge. The menu is inspired by the great classic restaurants of New Orleans, San Francisco and Boston, with an emphasis on prime seafood creations, USDA prime beef and chops, and fresh oyster bar selections. The atmosphere provides a comfortable dining experience "where your pleasure is our sole intention." Wildfish Seafood Grille is a full-service restaurant providing a dining experience focused on comfort and excitement with fresh seafood daily and high quality USDA steaks. We acquired eight Eddie V's Prime Seafood restaurants and three Wildfish Seafood Grille restaurants in November 2011.

Most dinner menu entrée prices at Eddie V's range from \$20.00 to \$61.00. During fiscal 2016, the average check per person was approximately \$91.00, with alcoholic beverages accounting for 31.2 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.

The following table shows our growth and lists the number of restaurants owned and operated by each of our brands for the fiscal years indicated. The table excludes our restaurants operated by independent third parties pursuant to area development and franchise agreements. The final column in the table lists our total sales from continuing operations for the fiscal years indicated.

| <b>Fiscal Year</b> | <b>Olive Garden</b> | <b>LongHorn Steakhouse</b> | <b>Yard House</b> | <b>The Capital Grille</b> | <b>Bahama Breeze</b> | <b>Seasons 52</b> | <b>Eddie V's</b> | <b>Total Restaurants (1)(2)</b> | <b>Total Sales (in Millions)</b> |
|--------------------|---------------------|----------------------------|-------------------|---------------------------|----------------------|-------------------|------------------|---------------------------------|----------------------------------|
| 1996               | 487                 |                            |                   |                           | 1                    |                   |                  | 488                             | \$1,240.9                        |
| 1997               | 477                 |                            |                   |                           | 2                    |                   |                  | 479                             | \$1,285.2                        |
| 1998               | 466                 |                            |                   |                           | 3                    |                   |                  | 469                             | \$1,386.9                        |
| 1999               | 464                 |                            |                   |                           | 6                    |                   |                  | 470                             | \$1,490.2                        |
| 2000               | 469                 |                            |                   |                           | 11                   |                   |                  | 480                             | \$1,615.7                        |
| 2001               | 477                 |                            |                   |                           | 16                   |                   |                  | 493                             | \$1,780.0                        |
| 2002               | 496                 |                            |                   |                           | 22                   |                   |                  | 518                             | \$1,966.1                        |
| 2003               | 524                 |                            |                   |                           | 25                   | 1                 |                  | 550                             | \$2,097.5                        |
| 2004               | 543                 |                            |                   |                           | 23                   | 1                 |                  | 567                             | \$2,359.3                        |
| 2005               | 563                 |                            |                   |                           | 23                   | 3                 |                  | 589                             | \$2,542.4                        |
| 2006               | 582                 |                            |                   |                           | 23                   | 5                 |                  | 610                             | \$2,775.8                        |
| 2007               | 614                 |                            |                   |                           | 23                   | 7                 |                  | 644                             | \$2,965.2                        |
| 2008               | 653                 | 305                        |                   | 32                        | 23                   | 7                 |                  | 1,020                           | \$3,997.5                        |
| 2009               | 691                 | 321                        |                   | 37                        | 24                   | 8                 |                  | 1,081                           | \$4,593.1                        |
| 2010               | 723                 | 331                        |                   | 40                        | 25                   | 11                |                  | 1,130                           | \$4,626.8                        |
| 2011               | 754                 | 354                        |                   | 44                        | 26                   | 17                |                  | 1,196                           | \$4,980.3                        |
| 2012               | 792                 | 386                        |                   | 46                        | 30                   | 23                | 11               | 1,289                           | \$5,327.1                        |
| 2013               | 828                 | 430                        | 44                | 49                        | 33                   | 31                | 12               | 1,431                           | \$5,921.0                        |
| 2014               | 837                 | 464                        | 52                | 54                        | 37                   | 38                | 15               | 1,501                           | \$6,285.6                        |
| 2015               | 846                 | 480                        | 59                | 54                        | 36                   | 43                | 16               | 1,534                           | \$6,764.0                        |
| 2016               | 843                 | 481                        | 65                | 54                        | 37                   | 40                | 16               | 1,536                           | \$6,933.5                        |

- (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 classified as discontinued operations.
- (2) Includes company-owned synergy restaurants as follows: one in fiscal 2011, one in fiscal 2012, four in fiscal 2013, and four in fiscal 2014. We converted the four synergy restaurants to Olive Garden restaurants in the first quarter of fiscal 2015.

## Strategy

We believe that capable operators of strong multi-unit brands have the opportunity to increase their share of the restaurant industry's full-service segment. Generally, the restaurant industry is considered to be comprised of three segments: quick service, fast casual, and full service. All of our restaurants fall within the full-service segment, which is highly fragmented and includes many independent operators and small chains. 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 restaurant operations excellence, brand management excellence, supply chain, talent management and information technology, among other things.

During fiscal 2016, our operating philosophy was focused on improving the core operational fundamentals of the business by providing an outstanding guest experience rooted in culinary innovation, attentive service, engaging atmosphere, and integrated marketing. Darden enables each brand to reach its full potential by leveraging its scale, insight, and experience in a way that protects uniqueness and competitive advantages. Additionally, brands can capitalize on insights to deliver customized one-to-one customer relationship marketing. We hold ourselves accountable for operating our restaurants with a sense of urgency to achieve our commitments to all of our stakeholders.

## Recent and Planned Restaurant Growth

During fiscal 2016, we added 2 net new company-owned restaurants in the United States. Our fiscal 2016 actual restaurant openings and closings, fiscal 2017 projected openings, and approximate capital investment, square footage and dining capacity, by brand, are shown below.

|                     | Actual - Fiscal 2016    |                   |                     | Projected -<br>Fiscal 2017 | Pro-Forma New Restaurants                     |   |       |                 |                  |
|---------------------|-------------------------|-------------------|---------------------|----------------------------|-----------------------------------------------|---|-------|-----------------|------------------|
|                     | New Restaurant Openings | Re-franchised (1) | Restaurant Closings | New Restaurant Openings    | Capital Investment Range (2)<br>(in millions) |   |       | Square Feet (3) | Dining Seats (4) |
| Olive Garden        | 1                       | —                 | 4                   | 6 - 8                      | \$3.5                                         | - | \$4.5 | 7,700           | 240              |
| LongHorn Steakhouse | 10                      | 6                 | 3                   | 8 - 10                     | \$2.5                                         | - | \$3.5 | 5,600           | 190              |
| Yard House          | 7                       | —                 | 1                   | 2 - 4                      | \$6.0                                         | - | \$7.0 | 11,500          | 380              |
| The Capital Grille  | 1                       | —                 | 1                   | 1 - 2                      | \$5.0                                         | - | \$6.0 | 9,500           | 250              |
| Bahama Breeze       | 1                       | —                 | —                   | 0 - 1                      | \$4.0                                         | - | \$5.0 | 9,200           | 290              |
| Seasons 52          | —                       | —                 | 3                   | 0 - 1                      | \$5.0                                         | - | \$6.0 | 9,000           | 300              |
| Eddie V's           | —                       | —                 | —                   | 2 - 3                      | \$5.5                                         | - | \$6.5 | 9,000           | 180              |
| Totals              | 20                      | 6                 | 12                  | 24- 28                     |                                               |   |       |                 |                  |

(1) Includes the six restaurants transferred to Four Corners as part of the REIT spin-off.

(2) Includes cash investments for building, equipment, furniture and other construction costs; excludes internal capitalized overhead, pre-opening expenses, tenant allowance and future lease obligations. Olive Garden and LongHorn Steakhouse capital investments are based on costs associated with land-only leases; The Capital Grille, Bahama Breeze, Seasons 52, Eddie V's and Yard House capital investments are based on ground and building leases. Actual costs can vary significantly depending on the specific location.

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

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

The actual number of openings for each of our brands for fiscal 2017 will depend on many factors, including our ability to locate appropriate sites, negotiate acceptable purchase or lease terms, obtain necessary local governmental permits, complete construction, and recruit and train restaurant management and hourly personnel. Our objective is to continue to expand all of our restaurant brands.

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

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. 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.

## 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 Olive Garden restaurant is led by a general manager, and each LongHorn Steakhouse restaurant is led by a managing partner. Each also has two 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 team members, 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. Each director of operations of Olive Garden and LongHorn Steakhouse reports to a Senior Vice President of Operations who is responsible for up to one hundred restaurants. Restaurants are visited regularly by operations management, including officer level executives, to help ensure strict adherence to all aspects of our standards.

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 two to eight 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 team members, most of whom work part-time. The general manager or managing partner of each restaurant reports directly to a director of operations, who has operational responsibility for approximately three to ten restaurants. Restaurants are visited regularly by operations management, including officer level executives, to help ensure strict adherence to all aspects of our standards.

Our Learning and Employee Development team in partnership with each brand's training leader, together with senior operations executives, is responsible for developing and maintaining our operations training programs. These efforts include a 10 to 12-week training program for management trainees (seven to nine weeks in the case of internal promotions) and continuing development programs for all levels of leadership. 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 team members. We believe that our leadership position, strong results-oriented culture and various short-term and long-term incentive programs, including stock-based compensation, enhances our ability to 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 supplier and risk based product evaluations, we purchase only products that meet or exceed our product specifications. We rely on independent third parties to inspect and evaluate our suppliers and distributors. Suppliers that produce "high-risk" products are 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 and risk based preventative controls adopted by the U.S. Food and Drug Administration. These 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. We require routine food safety verification for high risk products from our suppliers. Our total quality managers and third party auditors visit each restaurant regularly 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 safe, 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 1,500 suppliers whose products originate in more than 35 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 strategic supplier relationships are routinely used to manage availability and cost of products.

We believe that our significant scale is a competitive advantage and our purchasing team leverages this purchasing capability. Our purchasing staff travels routinely within the United States and internationally to source top-quality food products at competitive prices. We believe that we have established excellent long-term relationships with key suppliers and usually source our product directly from producers (not brokers or middlemen). We actively support several national minority supplier organizations to ensure that Darden incorporates women- and minority-owned businesses in all of its purchasing decisions.

We continue to drive automation of our supply chain by working with 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 of food and supplies in warehouses primarily dedicated to Darden where practical to do so. 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. Because of the relatively rapid turnover of perishable food products, inventories in the restaurants have a modest aggregate dollar value in relation to sales.

## **Advertising and Marketing**

Integrated marketing is a key element of our strategy and our scale enables us to be a leading advertiser in the full-service dining segment of the restaurant industry. Olive Garden leverages the efficiency of national network television advertising. Olive Garden supplements this with cable, local television and digital advertising. LongHorn Steakhouse uses local television and digital advertising to build engagement and loyalty by market. The Capital Grille, Yard House, Bahama Breeze, Seasons 52 and Eddie V's do not use television advertising, but rely on local and digital marketing. Our restaurants appeal to a broad spectrum of consumers and we use advertising to build awareness and strengthen our brands. We implement periodic promotions as appropriate to maintain and increase our sales and profits, as well as increase frequency of visitation by our guests. 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, engage and retain our guests. We have developed and consistently use sophisticated consumer marketing research techniques to monitor guest satisfaction and evolving food service trends and expectations.

In fiscal 2016, we continued a multi-year effort to implement new technology platforms that allow us to digitally engage with our guests and team members and strengthen our marketing and analytics capabilities in this increasingly connected society. We also developed and deployed a new online and mobile ordering system for Olive Garden, which was implemented nationwide. In addition, we rolled out table-top tablets to improve the guest experience in all Olive Garden restaurants. During fiscal 2016, we continued exploring brand loyalty and customer relationship management programs for our brands to increase the frequency of visits and offer our guests flexibility when making dining out decisions. As we implement new platforms, we are integrating them into all guest touch points including restaurant operating systems to enable compelling personalized guest experiences.

In fiscal 2016, Olive Garden continued to develop Spanish language advertising to increase awareness and visits from Hispanic consumers.

## **Employees**

At the end of fiscal 2016, we employed approximately 150,000 people (team members) in the United States and Canada. Of these team members, approximately 140,000 were hourly restaurant personnel. The remainder were restaurant management personnel located in the restaurants or in the field, or were located at one of our restaurant support center facilities in Orlando, Florida or Irvine, California. Our executives have an average of 14 years of experience with us. The restaurant general managers and managing partners average 12 years with us. We believe that we provide working conditions and compensation that compare favorably with those of our competitors. Most team members, other than restaurant management and corporate management, are paid on an hourly basis. None of our team members are covered by a collective bargaining agreement. We consider our employee relations to be good.

Consistent with one of our core values of diversity, we are committed to attracting, retaining, engaging and developing a workforce that mirrors the diversity of our guests. Approximately 49 percent of our restaurant team member employees are minorities and over 52 percent are female. According to the People Report's Human Capital Intelligence Report for April 2015, the diversity of our operations leadership teams exceeds industry averages by 4 percentage points for minority and 4 percentage points for female representation. At the vice president level and above, 20 percent of our leaders are minorities and 36 percent are female. The percentages of minority and female leaders at the vice president and above level 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 team members.

Consistent with our core values of respect and caring and teamwork, in fiscal 1999 we established a program called Darden Dimes to help fellow Darden colleagues in need. Darden Dimes has helped team members weather the after-effects of hurricanes and other natural disasters, severe medical problems and other personal difficulties. Participating team members donate at least 10 cents from each paycheck to the Darden Dimes fund, which raises more than \$1.5 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. We have implemented technology-enabled business solutions targeted at improved financial control, cost management, guest service and 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.

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 use a strategic information systems planning process that involves senior management and is integrated into our overall business planning. Information systems projects are prioritized based upon strategic, financial, regulatory and other business advantage criteria.

## **Competition**

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

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

## **Trademarks and Service Marks**

We regard our Darden<sup>®</sup>, Darden Restaurants<sup>®</sup>, Olive Garden<sup>®</sup>, LongHorn Steakhouse<sup>®</sup>, The Capital Grille<sup>®</sup>, Yard House<sup>®</sup>, Bahama Breeze<sup>®</sup>, Seasons 52<sup>®</sup>, Eddie V's Prime Seafood<sup>®</sup> and Wildfish Seafood Grille<sup>®</sup> 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 29, 2016, we operated 1,536 restaurants through subsidiaries in the United States and Canada all of which are owned by us, except three restaurants located in Central Florida and three restaurants in California. 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 have agreements pursuant to which operators run six LongHorn Steakhouse restaurants located in the San Antonio, Texas area and airport locations in Atlanta, Georgia and Detroit, Michigan.

Our restaurant operations outside of the United States and Canada are conducted through area development and franchise agreements. We have area development and franchise agreements in place with unaffiliated operators to develop and operate Olive Garden, The Capital Grille and LongHorn Steakhouse restaurants in:

- Puerto Rico,

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- Middle East (covering Bahrain, Egypt, Kuwait, Lebanon, Qatar, Saudi Arabia and the United Arab Emirates),
- Mexico,
- Central and South America (one covering Brazil, one covering Colombia and the Dominican Republic, one covering Peru, one covering Ecuador and one covering Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama), and
- Malaysia.

The restaurant developments under these agreements are in various states of progress, and the open and operating restaurants are all reflected in the table under the "Introduction" section of this Item 1. 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 distribute several items including Olive Garden salad dressings, salad croutons, extra virgin olive oil, Balsamic vinegar, Parmesan cheese, LongHorn Steakhouse seasoning and Olive Garden seasoning through various distribution channels including wholesale distribution chains and major grocery chains. The amount of income we derive from our distribution arrangements is not material to our consolidated financial statements.

### **Seasonality**

Our sales volumes fluctuate seasonally. Typically, our average sales per restaurant are 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 2016, 12.6 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 2016 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 tax assessments for unreported cash tips.

We are subject to federal and state environmental regulations, but these rules have not had a material effect on our operations. During fiscal 2016, 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 continue to review the health care reform law enacted by Congress in March of 2010 ("Affordable Care Act") and related rules and regulations. As part of that review, we evaluate the potential impacts of this law on our business, and accommodate various parts of the law as they take effect.

We are subject to laws and regulations relating to the preparation and sale of food, including regulations regarding product safety, nutritional content and menu labeling. We are subject to laws and regulations requiring disclosure of calorie, fat, trans fat, salt and allergen content. Beginning in 2017, the Affordable Care Act requires restaurant companies such as ours to disclose calorie information on their menus and to make available more detailed nutrition information upon request.

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

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

## **Sustainability**

Darden's commitment to sustainability is embedded as a key component of providing great service and food to our guests. It is an element that separates us from our competitors, and a contributor to our business success. Our approach is both integrated and strategic and spans the enterprise from the commodities we source to the operation of our restaurants. Conservation is a competitive advantage - it will lower our operating costs over time, insulate our supply chain, and help us attract and retain the most qualified 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/citizenship](http://www.darden.com/citizenship).

## **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 team members. The Foundation does this by focusing its philanthropic efforts on programs that enhance the communities in which our team members and guests live and work.

In fiscal 2016, we awarded approximately \$1.8 million in grants through the Foundation. We awarded grants to national organizations such as the American Red Cross, Feeding America, and the National Restaurant Association Education Foundation, as well as local nonprofits including Second Harvest Food Bank of Central Florida and the Heart of Florida United Way. These organizations provide service to the public through disaster preparedness, hunger relief, community engagement, and the promotion of career opportunities in the culinary industry.

In 2003, we began the Darden Harvest program as a mechanism for getting fresh and healthy food to people who need it. Each day, across every one of our 1,536 restaurants, we collect surplus, wholesome food that is not served to guests and, rather than discarding the food, we prepare it for donation to local nonprofit feeding partners. In fiscal 2016, Darden contributed 7.26 million pounds of food which is enough to feed 1,657 families of four, three meals a day for an entire year. As an added benefit of the Darden Harvest program, we are able to divert millions of pounds of surplus food from waste streams every year, making the Darden Harvest program a key part of our goal to one day send zero waste to landfills.

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

## **Executive Officers of the Registrant**

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

Eugene I. (Gene) Lee, Jr., age 55, has been our President and CEO since February 2015. Prior to that, Mr. Lee served as President and Interim CEO since October 2014, and as President and COO of the Company from September 2013 to October 2014. He served as President, Specialty Restaurant Group from our acquisition of RARE on October 1, 2007 to September 2013. Prior to the acquisition, he served as RARE's President and COO from January 2001 to October 2007. From January 1999 until January 2001, he served as RARE's Executive Vice President and COO.

Matthew R. Broad, age 56, was named our Senior Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary in October 2015. Prior to joining Darden, he served as Executive Vice President, General Counsel and Chief Compliance Officer for OfficeMax, Incorporated from October 2004 to December 2013. Prior to that, he was Associate General Counsel with Boise Cascade Corporation from September 1984 to October 2004.

Todd A. Burrowes, age 53, has been our President of LongHorn Steakhouse since July 2015. He rejoined the Company after serving as President, Ruby Tuesday Concept and Chief Operations Officer of Ruby Tuesday, Inc. from June 2013 to July 2015. Prior to that, he served as Executive Vice President of Operations for LongHorn Steakhouse from May 2008 until June 2013. He joined the Company in 2002 as Regional Manager of LongHorn Steakhouse before being promoted to Director of Management Training. In 2004, he was promoted to Regional Vice President of Operations for LongHorn Steakhouse.

Ricardo (Rick) Cardenas, age 48, has been our Senior Vice President, Chief Financial Officer since March 2016. He was Senior Vice President, Chief Strategy Officer of the Company from July 2015 to March 2016, prior to which he served as Senior Vice President, Finance, Strategy and Technology from July 2014 to July 2015. He was Executive Vice President of Operations for LongHorn Steakhouse from June 2013 to July 2014 and Senior Vice President of Operations for LongHorn Steakhouse's Philadelphia Division from June 2012 to June 2013. He served as Senior Vice President of Finance for Red Lobster, which the Company previously owned, from June 2010 to June 2012. Mr. Cardenas originally joined the Company in 1984 as an hourly employee and served in various positions of increasing responsibility, including Vice President of Finance for Olive Garden, prior to the positions described above.

David C. George, age 60, has been our President, Olive Garden and Executive Vice President, Darden Restaurants since March 2016, prior to which he was President of Olive Garden since January 2013. He served as our President of LongHorn Steakhouse from October 2007, when we acquired RARE Hospitality International, Inc. (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.

Danielle L. Kirgan, age 40, has been our Senior Vice President, Chief Human Resources Officer since January 2015. From February 2014 to January 2015, she was our Senior Vice President, Human Resources, Specialty Restaurant Group and Total Rewards. She joined us in May 2010 as Senior Vice President, Total Rewards & HR Shared Services. Prior to joining us, she was the Head of Human Resources with ACI Worldwide from January 2009 to December 2009. From 2004 to 2008 she was Vice President, Human Resources for the Consumer Foods Division at ConAgra Foods.

John W. Madonna, age 40, has been our Senior Vice President, Corporate Controller since January 2016, prior to which he served as our Senior Vice President, Accounting since January 2015. Prior to that, he was a Senior Director in Corporate Reporting from June 2013 through March 2014 when he was promoted to Vice President of Corporate Reporting. He joined the Company in 2005 as Manager, Corporate Reporting and has served in various roles with increasing responsibility in the Company's accounting and finance functions including as Manager, Financial Planning & Analysis for LongHorn Steakhouse prior to the positions described above.

#### **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.

***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. In addition, we must effectively respond to changing guest expectations and new technological developments. Disruptions, failures or other performance issues with these guest facing technology systems could impair the benefits that they provide to our business and negatively affect our relationship with our guest. 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, result in customer or advertiser dissatisfaction or otherwise result in negative publicity that could harm our reputation and we could be subjected to litigation, regulatory investigations or the imposition of penalties. As privacy and information security laws and regulations change and cyber risks evolve, we may incur additional costs to ensure we remain in compliance and protect guest, employee and Company information.

***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 are also reviewing the potential impacts of new laws associated with health care passed by various state and local governments.

We also are subject to federal and state laws which prohibit discrimination and other laws regulating the design and operation of facilities, such as the ADA. Compliance with these laws and regulations can be costly and increase our exposure to litigation and governmental proceedings, and a failure or perceived failure to comply with these laws could result in negative publicity that could harm our reputation. New or changing laws and regulations relating to union organizing rights and activities may impact our operations at the restaurant level and increase our labor costs.

The Affordable Care Act requires restaurant companies such as ours to disclose calorie information on their menus beginning in May 2017. 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 subject to a variety of federal, state and local laws and regulations relating to the use, storage, discharge, emission and disposal of hazardous materials. There also has been increasing focus by United States and overseas governmental authorities on other environmental matters, such as climate change, the reduction of greenhouse gases and water consumption. This increased focus may lead to new initiatives directed at regulating a yet to be specified array of environmental matters, such as the emission of greenhouse gases, where “cap and trade” initiatives could effectively impose a tax on carbon emissions. Legislative, regulatory or other efforts to combat climate change or other environmental concerns could result in future increases in the cost of raw materials, taxes, transportation and utilities, which could decrease our operating profits and necessitate future investments in facilities and equipment.

We are subject to laws relating to information security, privacy, cashless payments and consumer credit, protection and fraud. An increasing number of governments and industry groups worldwide have established data privacy laws and standards for the protection of personal information, including social security numbers, financial information (including credit card numbers), and health information. Compliance with these laws and regulations can be costly, and any failure or perceived failure to comply with those laws or any breach of our systems 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.

***A majority of our restaurants are now operated in leased properties and we are committed to long-term and non-cancelable leases that we may want to cancel, and may be unable to renew the leases that we may want to extend at the end of their terms.***

Under the strategic real estate plan we pursued during fiscal 2016, we transferred the majority of our owned restaurant properties to Four Corners, with substantially all of Four Corners’ initial assets being leased back to us. In addition, we sold and leased back 64 other real properties in individual sale leaseback transactions. The initial terms for the leases for these properties average 15 years, but range from 12-18 years, and have fixed rent escalations for the initial term and multiple renewal options at our discretion. In addition to these new leases, we previously leased more than 950 properties, and as a result, 1,449 of 1,536 restaurants operating in the United States and Canada as of May 29, 2016 are in leased locations. If we close a restaurant, we may remain committed to perform our obligations under the applicable lease, which would include, among other things, payment of the base rent for the balance of the lease term. Additionally, the potential losses associated with our inability to cancel leases may result in our keeping open restaurant locations that are performing significantly below

targeted levels. As a result, ongoing lease obligations at closed or underperforming restaurant locations could impair our results of operations. In addition, at the end of the lease term and expiration of all renewal periods, we may be unable to renew the lease without substantial additional cost, if at all. As a result, we may be required to close or relocate a restaurant, which could subject us to construction and other costs and risks, and may have an adverse effect on our operating performance.

***We may be subject to increased labor and insurance costs.***

Our restaurant operations are subject to United States and Canadian federal, state and local 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.

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

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. 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, public concern over avian flu may cause fear about the consumption of chicken, eggs and other products derived from poultry. The inability to serve 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 the World Health Organization and/or the Centers for Disease Control were to restrict travel to affected geographic areas where we source our products, thus possibly impacting the continuity of supply. Additionally, jurisdictions in which we have restaurants impose mandatory closures, seek voluntary closures or impose restrictions on operations. Even if such measures are not implemented and a virus or other disease does not spread significantly, the perceived risk of infection or significant health risk may adversely affect our business.

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

The full-service dining sector of the restaurant industry is intensely competitive with respect to pricing, service, location, personnel and type and quality of food, and there are many well-established competitors. We compete within each market with national and regional restaurant chains and locally-owned restaurants. We also face growing competition as a result of the trend

toward convergence in grocery, deli and restaurant services, particularly in the supermarket industry which offers “convenient meals” in the form of improved entrées and side dishes from the deli section. We compete primarily on the quality, variety and value perception of menu items. The number and location of restaurants, type of brand, quality and efficiency of service, attractiveness of facilities and effectiveness of advertising and marketing programs are also important factors. We anticipate that intense competition will continue with respect to all of these factors. If we are unable to continue to compete effectively, our business, financial condition and results of operations would be adversely affected.

***Our failure to drive both short-term and long-term profitable sales growth through brand relevance, operating excellence, and opening new restaurants of existing brands, and developing 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 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 and sales 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 innovate and extend our existing brands in ways that are relevant to guests and occasions in order to generate sustainable same-restaurant traffic growth and produce non-traditional sales and earnings growth opportunities, insufficient focus on our competition, or failure to adequately address the decline of the casual dining industry, 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 guest counts and 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 and integrate additional brands or develop new business opportunities that are as profitable as our existing restaurants.

***Our plans to expand our smaller brands Bahama Breeze, Seasons 52 and Eddie V's, and the testing of other new business ventures that have not yet proven their long-term viability, may not be successful, which could require us to make substantial further investments in those brands and new business ventures and result in losses and impairments.***

While each of our restaurant brands, as well as each of our individual restaurants, are subject to the risks and uncertainties described above, there is an enhanced level of risk and uncertainty related to the operation and expansion of our smaller brands such as Bahama Breeze, Seasons 52 and Eddie V's. These brands and new business ventures have not yet proven their long-term viability or growth potential. We have made substantial investments in the development and expansion of each of these brands and further investment is required. While we have implemented a number of changes to operations at Bahama Breeze, and believe we have improved the guest experience and unit economics sufficiently to restart modest unit growth, there can be no assurance that these changes will continue to be successful or that additional new unit growth will occur. Eddie V's is still in the early stages of development and will require additional resources to support further growth.

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

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

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

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

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

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

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

As part of our marketing efforts, we rely on search engine marketing and social media platforms to attract and retain guests. 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 have a material adverse impact on 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 impact our strategic direction and 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. Changes in senior management could expose us to significant changes in strategic direction and initiatives. 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 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, labor, 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, labor, health care, utilities 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 food products, such as shrimp, could increase our costs and possibly impact the supply of those products. We cannot predict whether we will be able to anticipate and react to changing food costs by adjusting our purchasing practices and menu prices, and a failure to do so could adversely affect our operating results. 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.

Increases in minimum wage, health care and other benefit costs may have a material adverse effect on our labor costs. We operate in many states and localities, where the minimum wage is significantly higher than the federal minimum wage. Increases in minimum wage may also result in increases in the wage rates paid for non-minimum wage positions.

Our restaurants' operating margins are also affected by fluctuations in the price of utilities such as electricity and natural gas, whether as a result of inflation or otherwise, on which the restaurants depend for their energy supply. In addition, interruptions to the availability of gas, electric, water or other utilities, whether due to aging infrastructure, weather conditions, fire, animal damage, trees, digging accidents or other reasons largely out of our control, may adversely affect our operations. Our inability to anticipate and respond effectively to an adverse change in any of these factors could have a significant adverse effect on our sales and results of operations.

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

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

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

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

***Volatility in the market value of derivatives we use to hedge exposures to fluctuations in commodity and broader market 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, labor 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.

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

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

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

borrowing costs increase with rising interest rates, our guests may have lower disposable income and reduce the frequency with which they dine out, may spend less on each dining out occasion or may choose more inexpensive restaurants.

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

Unfavorable changes in the above factors or in other business and economic conditions affecting our guests could increase our costs, reduce traffic in some or all of our restaurants or impose practical limits on pricing, any of which could lower our profit margins and have a material adverse effect on our sales, 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. Turmoil in global credit markets could 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. A lack of credit could have an adverse impact on certain of our suppliers, landlords and other tenants in retail centers in which we are located. If these issues occur, they could negatively affect our financial results. Any new disruptions in the financial markets may also adversely affect the U.S. and world economy, which could negatively impact consumer spending patterns. 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 and the discount rate used to determine the interest cost component of our net periodic pension cost. If our pension plan assets do not achieve positive rates of return, or if our estimates and assumed rates are not accurate, our earnings may decrease because net periodic pension costs would rise and we could be required to provide additional funds to cover our obligations to employees under the pension plan.

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

Our expansion into international markets could create risks to our brands and reputation. We believe that we have selected high-caliber international operating partners and franchisees with significant experience in restaurant operations, and are providing them with training and support. However, the probability of opening, ultimate success and quality of any franchise restaurant rests principally with the franchisee. If the franchisee does not successfully open and 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 and vendors. 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<sup>®</sup>, Darden Restaurants<sup>®</sup>, Olive Garden<sup>®</sup>, LongHorn Steakhouse<sup>®</sup>, The Capital Grille<sup>®</sup>, Yard House<sup>®</sup>, Bahama Breeze<sup>®</sup>, Seasons 52<sup>®</sup>, Eddie V's Prime Seafood<sup>®</sup> and Wildfish Seafood Grille<sup>®</sup> 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<sup>®</sup>, The Capital Grille<sup>®</sup>, Yard House<sup>®</sup> and Eddie V's Prime Seafood<sup>®</sup> 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, increase our costs, lead to litigation or result in negative publicity that could damage our reputation.

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 have a material adverse impact on our business.***

There has been a marked increase in the use of social media platforms and similar devices 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.

Many of our competitors are expanding their use of social media and new social media platforms are rapidly being developed, potentially making more traditional social media platforms obsolete. As a result, we need to continuously innovate and develop our social media strategies in order to maintain broad appeal with guests and brand relevance. As part of our marketing efforts, we rely on search engine marketing and social media platforms to attract and retain guests. We also continue to invest in other digital marketing initiatives that allow us to reach our guests across multiple digital channels and build their awareness of, engagement with, and loyalty to our brands. These initiatives may not be successful, resulting in expenses incurred without the benefit of higher revenues, increased employee engagement or brand recognition. In addition, a variety of risks are associated with the use of social media, including the improper disclosure of proprietary information, negative comments about us, exposure of personally identifiable information, fraud, or out-of-date information. The inappropriate use of social media vehicles by our guests or employees could increase our costs, lead to litigation or result in negative publicity that could damage our reputation.

**Item 1B. UNRESOLVED STAFF COMMENTS**

None.

**Item 2. PROPERTIES****Restaurant Properties – Continuing Operations**

As of May 29, 2016, we operated 1,536 restaurants in the United States and Canada (consisting of 843 Olive Garden, 481 LongHorn Steakhouse, 54 The Capital Grille, 65 Yard House, 40 Seasons 52, 37 Bahama Breeze, and 16 Eddie V's), in the following locations:

|                          |                    |                     |                     |
|--------------------------|--------------------|---------------------|---------------------|
| Alabama (31)             | Illinois (51)      | Montana (2)         | Rhode Island (3)    |
| Alaska (2)               | Indiana (34)       | Nebraska (6)        | South Carolina (30) |
| Arkansas (12)            | Iowa (12)          | Nevada (15)         | South Dakota (3)    |
| Arizona (40)             | Kansas (20)        | New Hampshire (9)   | Tennessee (44)      |
| California (98)          | Kentucky (18)      | New Jersey (49)     | Texas (133)         |
| Colorado (23)            | Louisiana (17)     | New Mexico (8)      | Utah (15)           |
| Connecticut (15)         | Maine (9)          | New York (52)       | Vermont (2)         |
| Delaware (5)             | Maryland (32)      | North Carolina (54) | Virginia (47)       |
| District of Columbia (1) | Massachusetts (40) | North Dakota (7)    | Washington (21)     |
| Florida (175)            | Michigan (33)      | Ohio (72)           | West Virginia (9)   |
| Georgia (97)             | Minnesota (15)     | Oklahoma (13)       | Wisconsin (18)      |
| Hawaii (1)               | Mississippi (13)   | Oregon (10)         | Wyoming (2)         |
| Idaho (5)                | Missouri (34)      | Pennsylvania (73)   | Canada (6)          |

Of these 1,536 restaurants open on May 29, 2016, 87 were located on owned sites and 1,449 were located on leased sites. The leases are classified as follows:

|                                                   |              |
|---------------------------------------------------|--------------|
| Land-Only Leases (we own buildings and equipment) | 707          |
| Ground and Building Leases                        | 529          |
| Space/In-Line/Other Leases                        | 213          |
| Total                                             | <u>1,449</u> |

**Properties – General**

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. In fiscal 2016, we completed a sale leaseback of our Restaurant Support Center buildings. We became a landlord of a ground lease with an unaffiliated third party on a parcel of land adjacent to our Restaurant Support Center buildings and during fiscal 2015 the third party completed construction of a 128-room hotel. The hotel may be utilized by Darden as lodging for those attending training sessions at our Restaurant Support Center.

Except in limited instances, our present restaurant sites and other facilities are not subject to mortgages or encumbrances securing money borrowed by us from outside sources. In our opinion, our current buildings and equipment generally are in good condition, suitable for their purposes and adequate for our current needs. See also Note 5 “Land, Buildings and Equipment, Net” and Note 11 “Leases” under Notes to Consolidated Financial Statements in our 2016 Annual Report to Shareholders, which is incorporated herein by reference.

**Item 3. LEGAL PROCEEDINGS**

See the discussion of legal proceedings contained in the third paragraph of Note 17 “Commitments and Contingencies” under Notes to Consolidated Financial Statements in our 2016 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 30, 2016, there were approximately 33,973 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 2016 and 2015 contained in Note 19 "Quarterly Data (Unaudited)" under Notes to Consolidated Financial Statements in our 2016 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.

Since commencing our common share repurchase program in December 1995, we have repurchased a total of 185.0 million shares through May 29, 2016 under authorizations from our Board of Directors. The table below provides information concerning our repurchase of shares of our common stock during the quarter ended May 29, 2016.

| (Dollars in millions, except per share data) | Total Number<br>of Shares Purchased<br>(1) (2) | Average<br>Price Paid<br>per Share | Total Number of<br>Shares Purchased as<br>Part of Publicly<br>Announced Plans or<br>Programs | Maximum Dollar Value of<br>Shares That<br>May Yet Be<br>Purchased Under the<br>Plans or Programs (3) |
|----------------------------------------------|------------------------------------------------|------------------------------------|----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| February 29, 2016 through April 3, 2016      | 1,118                                          | \$ 63.74                           | 1,118                                                                                        | \$ 360.1                                                                                             |
| April 4, 2016 through May 1, 2016            | 577,263                                        | \$ 63.81                           | 577,263                                                                                      | \$ 323.3                                                                                             |
| May 2, 2016 through May 29, 2016             | 122,739                                        | \$ 62.59                           | 122,739                                                                                      | \$ 315.6                                                                                             |
| Total                                        | 701,120                                        | \$ 63.60                           | 701,120                                                                                      | \$ 315.6                                                                                             |

- (1) All of the shares purchased during the quarter ended May 29, 2016 were purchased as part of our repurchase program. On December 16, 2015, our Board of Directors authorized a new share repurchase program under which the Company may repurchase up to \$500.0 million of its outstanding common stock. This repurchase program, which was announced publicly in a press release issued on December 18, 2015 does not have an expiration, replaces all other outstanding share repurchase authorizations and eliminated the balance of approximately 5.4 million shares available for repurchase remaining under the previous authorizations.
- (2) 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 deplete the repurchase authority granted by our Board. The number of shares repurchased excludes shares we reacquired pursuant to forfeiture of restricted stock.
- (3) 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 2012 through 2016 contained in the Five-Year Financial Summary in our 2016 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 2016 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 2016 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 2016 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 29, 2016, 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 29, 2016.

During the fiscal quarter ended May 29, 2016, 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 2016 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 Eight 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 2016 Annual Meeting of Shareholders is incorporated herein by reference. Information regarding executive officers is contained in Part I above under the heading “Executive Officers of the Registrant.”

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

We also have adopted a set of Corporate Governance Guidelines and charters for all of our Board committees: the Audit Committee, which was established in accordance with Section 5(a)(58)(A) of the Exchange Act, Compensation Committee,

Nominating and Governance Committee and Finance Committee. The Corporate Governance Guidelines and committee charters are available on our website at [www.darden.com](http://www.darden.com) under the Investors - Corporate Governance tab and in print free of charge to any shareholder who requests them. Written requests for our Code of Business Conduct and Ethics, Corporate Governance Guidelines and committee charters should be addressed to Darden Restaurants, Inc., 1000 Darden Center Drive, Orlando, Florida 32837, Attention: Corporate Secretary.

**Item 11. EXECUTIVE COMPENSATION**

The information contained in the sections entitled “Director Compensation,” “Executive Compensation,” “Compensation Discussion and Analysis,” “Compensation Committee Report” and “Corporate Governance and Board Administration” in our definitive Proxy Statement for our 2016 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 2016 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 2016 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 2016 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 29, 2016, May 31, 2015 and May 25, 2014.

Consolidated Statements of Comprehensive Income for the fiscal years ended May 29, 2016, May 31, 2015 and May 25, 2014.

Consolidated Balance Sheets at May 29, 2016 and May 31, 2015.

Consolidated Statements of Changes in Stockholders’ Equity for the fiscal years ended May 29, 2016, May 31, 2015 and May 25, 2014.

Consolidated Statements of Cash Flows for the fiscal years ended May 29, 2016, May 31, 2015 and May 25, 2014.

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 25, 2016

DARDEN RESTAURANTS, INC.

By: /s/ Eugene I. Lee, Jr.

Eugene I. Lee, Jr., President 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/ Eugene I. Lee, Jr.</u><br>Eugene I. Lee, Jr.      | Director, President and Chief Executive Officer (Principal executive officer) | July 25, 2016 |
| <u>/s/ Ricardo Cardenas</u><br>Ricardo Cardenas          | Senior Vice President, Chief Financial Officer (Principal financial officer)  | July 25, 2016 |
| <u>/s/ John W. Madonna</u><br>John W. Madonna            | Senior Vice President, Corporate Controller (Principal accounting officer)    | July 25, 2016 |
| <u>/s/ Margaret Shan Atkins*</u><br>Margaret Shan Atkins | Director                                                                      |               |
| <u>/s/ Jean M. Birch*</u><br>Jean M. Birch               | Director                                                                      |               |
| <u>/s/ Bradley D. Blum*</u><br>Bradley D. Blum           | Director                                                                      |               |
| <u>/s/ James P. Fogarty*</u><br>James P. Fogarty         | Director                                                                      |               |
| <u>/s/ Cynthia T. Jamison*</u><br>Cynthia T. Jamison     | Director                                                                      |               |
| <u>/s/ Lionel L. Nowell III*</u><br>Lionel L. Nowell III | Director                                                                      |               |
| <u>/s/ William S. Simon*</u><br>William S. Simon         | Director                                                                      |               |
| <u>/s/ Charles M. Sonsteby*</u><br>Charles M. Sonsteby   | Chairman of the Board and Director                                            |               |
| <u>/s/ Alan N. Stillman*</u><br>Alan N. Stillman         | Director                                                                      |               |

\* By: /s/ Anthony G. Morrow  
Anthony G. Morrow, Attorney-In-Fact  
July 25, 2016

## EXHIBIT INDEX

| <u>Exhibit<br/>Number</u> | <u>Title</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.1                       | Asset and Stock Purchase Agreement, dated as of May 15, 2014, by and between Darden Restaurants, Inc. and RL Acquisition LLC (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K/A filed May 23, 2014).                                                                                                                                                                                                                                                                                                              |
| 2.2                       | Separation and Distribution Agreement, dated as of October 21, 2015, by and between Darden Restaurants, Inc. and Four Corners Property Trust, Inc. (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed October 21, 2015).                                                                                                                                                                                                                                                                                      |
| 3.1                       | Amended and Restated Articles of Incorporation effective June 29, 2016 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed July 5, 2016).                                                                                                                                                                                                                                                                                                                                                                      |
| 3.2                       | Bylaws as amended effective June 29, 2016 (incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed July 5, 2016).                                                                                                                                                                                                                                                                                                                                                                                                   |
| 4.1                       | 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).                                                                                                                                           |
| 4.2                       | Officers' Certificate and Authentication Order, dated August 9, 2005, for the 6.000% Senior Notes due 2035 (which includes the form of Note) issued pursuant to the Indenture dated as of January 1, 1996, between Darden Restaurants, Inc. and Wells Fargo Bank, National Association (as successor to Wells Fargo Bank Minnesota, National Association, formerly known as Norwest Bank Minnesota, National Association), as Trustee (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed August 11, 2005).    |
| 4.3                       | 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). |
| *10.1                     | Darden Restaurants, Inc. FlexComp Plan, as amended (incorporated by reference to Exhibit 10(a) to our Quarterly Report on Form 10-Q for the fiscal quarter ended November 23, 2008).                                                                                                                                                                                                                                                                                                                                                         |
| *10.2                     | 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 by reference to Exhibit 10 to our Quarterly Report on Form 10-Q for the fiscal quarter ended February 27, 2011).                                                                                             |
| *10.3                     | Form of Amended and Restated Management Continuity Agreement between Darden Restaurants, Inc. and certain of our executive officers (incorporated by reference to Exhibit 10(i) to our Annual Report on Form 10-K for the fiscal year ended May 31, 2009).                                                                                                                                                                                                                                                                                   |
| *10.4                     | Darden Restaurants, Inc. 2002 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10 to our Current Report on Form 8-K filed September 20, 2013).                                                                                                                                                                                                                                                                                                                                                                         |
| 10.5                      | 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 by reference to Exhibit 10.1 to our Current Report on Form 8-K filed October 3, 2011).                                                                                                                                                                                                                                                                         |
| 10.6                      | First Amendment to Credit Agreement, dated as of October 24, 2013, among Darden Restaurants, Inc., certain lenders party thereto and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed October 30, 2013).                                                                                                                                                                                                                                                    |
| *10.7                     | Form of Non-Qualified Stock Option Award Agreement under the Darden Restaurants, Inc. 2002 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10(o) to our Annual Report on Form 10-K for the fiscal year ended May 31, 2009).                                                                                                                                                                                                                                                                                           |
| *10.8                     | Form of fiscal 2014 Performance Stock Units Award Agreement under the Darden Restaurants, Inc. 2002 Stock Incentive Plan, as amended (United States) (incorporated by reference to Exhibit 10(n) to our Annual Report on Form 10-K for the fiscal year ended May 26, 2013).                                                                                                                                                                                                                                                                  |
| *10.9                     | Employment Agreement dated April 28, 2003 between RARE Hospitality International, Inc. and Eugene I. Lee, Jr. (incorporated by reference to Exhibit 10.2 to the RARE Hospitality International, Inc. Quarterly Report on Form 10-Q (Commission File No. 0-19924) for the fiscal quarter ended June 29, 2003).                                                                                                                                                                                                                                |

- \*10.10 First Amendment of Employment Agreement dated October 27, 2004 between RARE Hospitality International, Inc. and Eugene I. Lee, Jr. (incorporated by reference to Exhibit 10.2 to the RARE Hospitality International, Inc. Quarterly Report on Form 10-Q (Commission File No. 0-19924) for the fiscal quarter ended September 26, 2004).
- \*10.11 Second Amendment of Employment Agreement, dated October 27, 2005 between RARE Hospitality International, Inc. and Eugene I. Lee, Jr. (incorporated by reference to Exhibit 10.2 to the RARE Hospitality International, Inc. Quarterly Report on Form 10-Q (Commission File No. 0-19924) for the fiscal quarter ended September 25, 2005).
- \*10.12 Third Amendment of Employment Agreement, dated October 27, 2006 between RARE Hospitality International, Inc. and Eugene I. Lee, Jr. (incorporated by reference to Exhibit 10.2 to the RARE Hospitality International, Inc. Quarterly Report on Form 10-Q (Commission File No. 0-19924) for the fiscal quarter ended October 1, 2006).
- \*10.13 Fourth Amendment of Employment Agreement, dated December 15, 2006 between RARE Hospitality International, Inc. and Eugene I. Lee, Jr. (incorporated by reference to Exhibit 10(24) to the RARE Hospitality International, Inc. Annual Report filed on Form 10-K (Commission File No. 0-19924) for fiscal year ended December 31, 2006).
- \*10.14 Letter Agreement, dated August 16, 2007, between us and Eugene I. Lee, Jr. (incorporated by reference to Exhibit (e)(22) to the RARE Hospitality International, Inc. Schedule 14D-9 (Commission File No. 0-19924) filed August 31, 2007).
- \*10.15 RARE Hospitality International, Inc. Amended and Restated 2002 Long-Term Incentive Plan, as amended (incorporated by reference to Exhibit 10(aa) to our Annual Report on Form 10-K for the fiscal year ended May 31, 2009).
- \*10.16 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 by reference to Exhibit 10(bb) to our Annual Report on Form 10-K for the fiscal year ended May 31, 2009).
- \*10.17 Letter Agreement, dated December 18, 2013, between Darden Restaurants, Inc. and C. Bradford Richmond (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed December 24, 2013).
- \*10.18 Amendment to Darden Restaurants, Inc. FlexComp Plan, dated September 10, 2014 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed September 15, 2014).
- 10.19 Amended and Restated Master Confirmation, by Goldman Sachs & Co. to Darden Restaurants, Inc., dated September 23, 2014 (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended August 24, 2014).
- 10.20 Amended and Restated Master Confirmation, by Wells Fargo Bank, National Association to Darden Restaurants, Inc., dated September 23, 2014 (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended August 24, 2014).
- 10.21 Amended and Restated Supplemental Confirmation, by Goldman Sachs & Co. to Darden Restaurants, Inc., dated September 23, 2014 (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the fiscal quarter ended August 24, 2014).
- 10.22 Amended and Restated Supplemental Confirmation, by Wells Fargo Bank, National Association to Darden Restaurants, Inc., dated September 23, 2014 (incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q for the fiscal quarter ended August 24, 2014).
- \*10.23 Letter Agreement dated October 14, 2014 between Darden Restaurants, Inc. and Eugene I. Lee, Jr. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed October 16, 2014).
- \*10.24 Restricted Stock Unit Award Agreement, dated October 13, 2014, between Darden Restaurants, Inc. and Eugene I. Lee, Jr. (incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q for the fiscal quarter ended November 23, 2014).
- \*10.25 Restricted Stock Unit Award Agreement, dated October 13, 2014, between Darden Restaurants, Inc. and Eugene I. Lee, Jr. (incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q for the fiscal quarter ended November 23, 2014).
- \*10.26 Agreement, dated November 18, 2014, between Darden Restaurants, Inc. and C. Bradford Richmond (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed November 19, 2014).
- \*10.27 Agreement, dated November 25, 2014, between Darden Restaurants, Inc. and C. Bradford Richmond (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed December 1, 2014).

- \*10.28 Form of Performance Stock Units Award Agreement under the Darden Restaurants, Inc. 2002 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10(kk) to our Annual Report on Form 10-K for the fiscal year ended May 31, 2015).
- \*10.29 Form of Performance Stock Units Award Agreement under the Darden Restaurants, Inc. 2002 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10(ll) to our Annual Report on Form 10-K for the fiscal year ended May 31, 2015).
- \*10.30 Form of annual Non-employee Director Restricted Stock Units Award Agreement under the Darden Restaurants, Inc. 2002 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10(mm) to our Annual Report on Form 10-K for the fiscal year ended May 31, 2015).
- \*10.31 Form of initial Non-employee Director Restricted Stock Units Award Agreement under the Darden Restaurants, Inc. 2002 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10(nn) to our Annual Report on Form 10-K for the fiscal year ended May 31, 2015).
- \*10.32 Form of quarterly Non-employee Director Restricted Stock Units Award Agreement under the Darden Restaurants, Inc. 2002 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10(oo) to our Annual Report on Form 10-K for the fiscal year ended May 31, 2015).
- \*10.33 Form of annual Non-employee Director Stock Option Award Agreement under the Darden Restaurants, Inc. 2002 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10(pp) to our Annual Report on Form 10-K for the fiscal year ended May 31, 2015).
- \*10.34 Form of initial Non-employee Director Stock Option Award Agreement under the Darden Restaurants, Inc. 2002 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10(qq) to our Annual Report on Form 10-K for the fiscal year ended May 31, 2015).
- \*10.35 Form of Change in Control Agreement (incorporated by reference to Exhibit 10(rr) to our Annual Report on Form 10-K for the fiscal year ended May 31, 2015).
- \*10.36 Form of Restricted Stock Units Award Agreement under the Darden Restaurants, Inc. 2002 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10(ss) to our Annual Report on Form 10-K for the fiscal year ended May 31, 2015).
- \*10.37 Darden Restaurants, Inc. Management and Professional Incentive Plan, as amended June 26, 2015.
- \*10.38 Form of Notice of Non-Renewal of Management Continuity Agreement, dated July 23, 2015 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed July 27, 2015).
- \*10.39 Form of Performance Restricted Stock Unit Award Agreement under the Darden Restaurants, Inc. 2002 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10.11 to our Quarterly Report on Form 10-Q for the fiscal quarter ended August 30, 2015).
- \*10.40 Form of Non-Qualified Stock Option Agreement under the Darden Restaurants, Inc. 2002 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10.12 to our Quarterly Report on Form 10-Q for the fiscal quarter ended August 30, 2015).
- \*10.41 Darden Restaurants, Inc. 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed September 22, 2015).
- \*10.42 Form of Nonqualified Stock Option Award Agreement under the Darden Restaurants, Inc. 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.13 to our Quarterly Report on Form 10-Q for the fiscal quarter ended August 30, 2015).
- \*10.43 Form of Restricted Stock Unit Award Agreement for Non-Employee Directors (Quarterly Grant in Lieu of Cash Retainer) under the Darden Restaurants, Inc. 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.14 to our Quarterly Report on Form 10-Q for the fiscal quarter ended August 30, 2015).
- \*10.44 Form of Restricted Stock Unit Award Agreement for Non-Employee Directors under the Darden Restaurants, Inc. 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.15 to our Quarterly Report on Form 10-Q for the fiscal quarter ended August 30, 2015).
- \*10.45 Form of Performance Stock Unit Award Agreement (United States) under the Darden Restaurants, Inc. 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.16 to our Quarterly Report on Form 10-Q for the fiscal quarter ended August 30, 2015).
- \*10.46 Form of Restricted Stock Award Agreement under the Darden Restaurants, Inc. 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.17 to our Quarterly Report on Form 10-Q for the fiscal quarter ended August 30, 2015).
- \*10.47 Form of Employee RSU Award Agreement (Stock-Settled) under the Darden Restaurants, Inc. 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.18 to our Quarterly Report on Form 10-Q for the fiscal quarter ended August 30, 2015).

|         |                                                                                                                                                                                                                                                 |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| *10.48  | Release Letter Agreement between Valerie L. Insignares and Darden Restaurants, Inc. executed September 2, 2015 (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended November 29, 2015). |
| *10.49  | Form of Restricted Stock Unit Award Agreement under the Darden Restaurants, Inc. 2015 Omnibus Incentive Plan.                                                                                                                                   |
| *10.50  | Form of Restricted Stock Unit Award Agreement for Todd Burrowes under the Darden Restaurants, Inc. 2002 Stock Incentive Plan.                                                                                                                   |
| *10.51  | Form of Restricted Stock Award Agreement for Officers under the Darden Restaurants, Inc. 2002 Stock Incentive Plan.                                                                                                                             |
| *10.52  | Agreement, dated March 8, 2016, between Darden Restaurants, Inc. and Harald Herrmann.                                                                                                                                                           |
| *10.53  | Agreement, dated April 6, 2016, between Darden Restaurants, Inc. and Jeffrey A. Davis.                                                                                                                                                          |
| *10.54  | Form of Nonqualified Stock Option Award Agreement under the Darden Restaurants, Inc. 2015 Omnibus Incentive Plan.                                                                                                                               |
| *10.55  | Form of Performance Stock Unit Award Agreement (United States) under the Darden Restaurants, Inc. 2015 Omnibus Incentive Plan.                                                                                                                  |
| *10.56  | Form of Restricted Stock Unit Award Agreement (United States) under the Darden Restaurants, Inc. 2015 Omnibus Incentive Plan.                                                                                                                   |
| *10.57  | Form of Restricted Stock Award Agreement under the Darden Restaurants, Inc. 2015 Omnibus Incentive Plan.                                                                                                                                        |
| *10.58  | Form of Restricted Stock Unit Award Agreement for Non-Employee Directors under the Darden Restaurants, Inc. 2015 Omnibus Incentive Plan.                                                                                                        |
| 12      | Computation of Ratio of Consolidated Earnings to Fixed Charges.                                                                                                                                                                                 |
| 13      | Portions of 2015 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.  
MANAGEMENT AND PROFESSIONAL  
INCENTIVE PLAN**

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## **PART I**

### **DEFINITIONS**

**A. Actively Employed**

The term “Actively Employed” means the Participant is deemed to be an active employee of the Company, as determined in accordance with the Company’s policies and procedures, provided that the period during which a Participant is “Actively Employed” will not include any leave of absence period, except as otherwise determined by the Company’s policies and procedures.

**B. Additional Incentive Award**

The term “Additional Incentive Award” means a Participant’s additional incentive award granted under Part IV of this Plan.

**C. Agent**

The term “Agent” means the Company or such other entity as the Committee may designate to fulfill the responsibilities of “Agent” under this Plan.

**D. Award**

The term “Award” means any Base Incentive Award and/or Additional Incentive Award granted under this Plan.

**E. Base Incentive Award**

The term “Base Incentive Award” means a Participant’s base incentive award granted under Part III of this Plan.

**F. Board**

The term “Board” means the Board of Directors of the Company.

**G. Change of Control**

The term “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 30% 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 clause (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 clauses (b)(i), (b)(ii) and (b)(iii) below;

(b) 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, 30% 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

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

**H. CHRO**

The term “CHRO” means the senior most human resources officer of the Company or an executive of the Company acting in a similar capacity, as designated by the Committee.

**I. Committee**

The term “Committee” means the Compensation Committee of the Board.

**J. Common Stock**

The term “Common Stock” or “Stock” means the common stock of the Company.

**K. Company or Corporation**

The term “Company” or “Corporation” means Darden Restaurants, Inc. and its subsidiaries.

**L. Consolidated Earnings**

The term “Consolidated Earnings” means consolidated net income for the year for which an Award is made, adjusted to omit the effects of unusual and extraordinary items, discontinued operations and the cumulative effects of changes in accounting principles, all as shown on the audited consolidated statement of earnings of the Company and its subsidiaries and as determined in accordance with generally accepted accounting principles.

**M. Management Employee**

The term “Management Employee” means any active key management employee of the Company or its subsidiaries, to the extent designated by the CHRO, including such members of the Board as are actively employed by the Company or its subsidiaries.

**N. Matching Restricted Stock**

The term “Matching Restricted Stock” means shares described in Part IV(B) of this Plan.

**O. Original Deposit**

The term “Original Deposit” means shares deposited pursuant to Part IV(B) of this Plan.

**P. Participant**

The term “Participant” means an individual selected to be a Participant in accordance with Part II of this Plan.

**Q. Performance Period**

The term “Performance Period” means a period of one or more Plan Years over which an Award may be earned, as determined by the Committee.

**R. Plan**

The term “Plan” means the Darden Restaurants, Inc. Management and Professional Incentive Plan, formerly known as the Darden Restaurants, Inc. Management Incentive Plan.

**S. Plan Year**

The term “Plan Year” means the Company’s fiscal year.

**T. Professional Employee**

The term “Professional Employee” means any professional employee to the extent designated by the CHRO.

**U. Stock Matching**

The term “Stock Matching” means incentive compensation in the form of Common Stock made available by the Company on the condition the Participant deposits a specified amount of Common Stock with the Company.

**V. Stock Matching Provisions**

The term “Stock Matching Provisions” means the provisions set forth in Part IV(B) of this Plan.

**PART II**

**GENERAL PROVISIONS**

**A. Objective Of The Plan**

It is the intent of the Company to provide financial rewards to key management and professional employees in recognition of individual contributions to the success of the Company under the provisions of this Plan. As such, the Committee has designed this Plan to accomplish such objectives. Participant Awards will be based on the comparative impact of the Participant’s position to the overall corporate results as measured by the degree to which the individual is able to affect division/subsidiary, group and corporate results.

**B. Eligibility**

Any Management Employee and any Professional Employee will be eligible to participate in the Plan. Eligibility will not carry any rights to participation nor to any fixed Awards under the Plan.

**C. Participation**

As early as possible in each Plan Year, management will recommend a list of proposed Participants in the Plan, and the Committee thereupon will determine those who have been selected as Participants for the Performance Period that commences in such Plan Year. Participants will be those persons holding positions, which significantly affect operating results, while providing the opportunity to contribute to current earnings and the future success of the Company. During the year, other Participants may be added because of promotion or for other reasons warranting their inclusion, and Participants may be excluded from active

participation because of demotion or other reasons warranting their exclusion. In order to receive an Award, a Participant must be Actively Employed as of the end of the Performance Period for which such Award is made, unless the Participant's termination is due to death or retirement on or after age 55 and 10 years of service during the Performance Period. In all events in which a Participant is eligible to receive an Award, the Award will be prorated based on the total days employed during the Performance Period in a position eligible for participation in the Plan.

### **PART III**

#### **BASE INCENTIVE AWARDS**

The size of a Participant's Base Incentive Award under this Plan will be based on individual performance, corporate performance or a combination thereof, as determined by the Committee, relative to pre-established performance objectives.

##### **A. Individual Performance**

For Participants whose Base Incentive Award is based in part on individual performance, individual performance for the Performance Period will be determined as follows:

1. At the beginning of each Performance Period, each such Participant will develop written objectives for the Performance Period, which are directly related to specific job accountabilities.
2. The individual objectives will be reviewed with each such Participant's supervisor for acceptance and will become the primary basis for establishing the individual's performance for the Performance Period.
3. Near the end of each Performance Period, each such Participant will submit to his or her supervisor, a summary of accomplishments related to individual performance during the Performance Period. Based on this information and other information related to individual performance or job accountabilities, the supervisor will assess the individual's performance.

##### **B. Corporate Performance**

At the beginning of each Performance Period, the Committee will establish corporate and/or unit performance targets, and near the end of each Performance Period, the Committee will establish corporate and/or unit performance ratings, based on generally accepted performance measures to be selected by the Committee such as, but not limited to, earnings per share, return on cash, return on sales, cash flow, market share, revenue growth, earnings growth, return on gross investment, total shareholder return and operating profits.

##### **C. Determination Of Amounts Of Award**

The Committee acting in its discretion, subject to the maximum amounts set forth below, will determine the amounts of Awards to Participants for any Performance Period. Such determinations, except in the case of

the Award for the Chief Executive Officer of the Company, will be made after considering the recommendations of the Chief Executive Officer and such other matters as the Committee will deem relevant. The Committee's determination of the performance objectives applicable to the Awards for any Performance Period shall be made in writing no later than the earlier of (i) the 90th day of the Performance Period or (ii) the date on which 25% of the Performance Period has elapsed, and, in any event, at a time when the outcome of the performance objectives remains substantially uncertain.

Notwithstanding the foregoing, the maximum Awards payable with respect to any Plan Year to any Participant will not exceed two tenths of one percent (0.2%) of the Company's annual sales for such year (as reflected in the Company's annual audited financial statements for such year). For this purpose, the value of the Common Stock, restricted stock or restricted stock units that are part of any Award will be based on the fair market value of the Common Stock subject to the Award on the date the Award is made. In all events, however, any Award in the form of cash shall not be paid, and any Award in the form of Common Stock, restricted stock or restricted stock units shall be forfeited, unless the Company has Consolidated Earnings for the Plan Year for which the Award is granted. Further, an Award based on a Performance Period of more than one Plan Year will be limited to the aggregate Consolidated Earnings and sales of the Company for such period of years, excluding any year which the Company has no Consolidated Earnings.

Any Award in the form of cash shall not be paid, and any Award in the form of Common Stock, restricted stock or restricted stock units shall remain subject to risk of forfeiture, until: (a) the Committee receives assurances from both the Company's Chief Financial Officer and its independent accountants that the Company has achieved Consolidated Earnings for the Plan Year(s) and that the amount of such Award does not exceed the applicable limitation under this Part III; and (b) the Committee certifies in writing to the Board that the Consolidated Earnings have been achieved and the applicable limitation has not been exceeded.

Notwithstanding any provision in the Plan to the contrary, the Committee shall have the right, in its sole discretion, to reduce or eliminate the amount of an Award earned by any Participant and to which any such Participant is entitled under this Part III based on individual performance or any other factors that the Committee, in its discretion, shall deem appropriate.

Awards will be paid in cash, Common Stock, restricted stock or restricted stock units, or any combination of the foregoing, as determined by the CHRO. Any such Common Stock, restricted stock or restricted stock units shall be issued pursuant to the terms of the Company's Stock Option and Long-Term Incentive Plan of 1995, Restaurant Management and Employee Stock Plan of 2000, 2002 Stock Incentive Plan or any successor plan or plans, each as may be amended from time to time.

## **PART IV**

### **ADDITIONAL INCENTIVE AWARDS**

#### **A. Cash Or Other Awards**

Subject to the terms and conditions of Part III of this Plan and, where applicable, to the Stock Matching Provisions, a Management Employee is eligible to receive an Additional Incentive Award in the form of cash, or if so determined by the CHRO, Common Stock, restricted stock or restricted stock units, or any combination of the foregoing. Any Additional Incentive Award, or any part thereof, may be made subject to the Stock Matching Provisions if so determined by the CHRO.

**B. Participation In Stock Matching**

If an Additional Incentive Award, or any part thereof, is designated as being made subject to the Stock Matching Provisions, then the following provisions shall apply:

1. A Management Employee under age 55 as of the last day of the Performance Period who is selected to participate in the Stock Matching Provisions of the Plan may do so by depositing shares of Common Stock based on a percentage of his or her Base Incentive Award, which percentage the Committee will set on an annual basis. Such percentage may vary by employee group and from year to year.
2. Participants age 55 or over as of the last day of the Performance Period who are selected for Stock Matching may elect full, partial or no participation in the Stock Matching Provisions, with immediate cash payments being made in an amount equal to 60% of the amount of the Base Incentive Award otherwise eligible for Stock Matching for which the employee has elected to receive cash payment in lieu of Stock Matching.
3. The Company will notify each Management Employee who participates in the Stock Matching Provisions of the maximum number of shares of Common Stock which he or she is permitted to deposit under the Plan, and each Participant may choose to deposit all or any portion of the number of shares permitted to be deposited. Participants may make their Original Deposit at any time after they receive their Base Incentive Award, but, to participate in the Stock Matching Provisions of this Plan, Participants must deposit such shares with the Agent no later than the December 31 immediately following the end of the Performance Period for which the Base Incentive Award has been paid.
4. Any Participant who dies, retires on or after attaining age 65, elects early retirement after attaining age 55 and completing 10 years of service, or is permanently disabled and unable to work as determined by the CHRO, either during a Performance Period or prior to the final date for depositing the Original Deposit shares for such Performance Period (December 31), will not be eligible to participate in the Stock Matching Provisions, but instead, such Participant, or the Participant's legal representative, will receive an Additional Incentive Award in Stock or cash, as determined by the CHRO, for the Performance Period in an amount equal to the amount otherwise eligible for Stock Matching.
5. On or before the December 31 immediately preceding the end of the Performance Period, Participants must notify the Company in writing of the applicable participation alternatives elected under the Stock Matching Provisions. Elections regarding Stock Matching participation are effective for the current Performance Period.
6. As soon as practical following the Original Deposit by a Participant, the Company will match these shares and either deposit with the Agent for the Participant's account matching Common Stock for each share of the Original Deposit or evidence the issuance of matching Common Stock for each share of the Original Deposit in book entry form as reflected on the master stockholder records of the Company. All such deposited Stock will be Matching Restricted Stock, which will be delivered to the Participant upon vesting. Matching Restricted Stock shall have such terms as may be determined from time to time pursuant to the terms of the applicable

plan under which such Matching Restricted Stock is issued; provided, however, that any Matching Restricted Stock granted prior to June 19, 2003 shall include the following terms:

The vesting period will be from one (1) to ten (10) years (the "Restricted Period") as determined by the Committee, and may be accelerated based on performance goals established by the Committee. In the event of termination after attainment of age 55 and 10 years of service but prior to the completion of the Restricted Period, provided the Participant leaves his or her shares, if any, on deposit, the Participant will vest in all corresponding shares of Matching Restricted Stock as of the earlier of attainment of age 65 or the end of the Restricted Period. If the Company terminates the Participant's employment involuntarily and not for cause (as determined by the Committee) prior to the completion of the Restricted Period, and the sum of the Participant's age and years of service with the Company equals or exceeds seventy (70), any shares that have not vested on the date of termination of the Participant's employment but that would have vested within two (2) years from the date of termination if the Participant's employment had continued shall become immediately vested on the date of the Participant's termination of employment. In the event the Original Deposit Stock is withdrawn or a required deposit was not made, all Matching Restricted Stock will be forfeited to the Company. If termination of employment occurs prior to attainment of age 55 and completion of 10 years of service or prior to the time that the sum of the Participant's age and years of service with the Company equals or exceeds seventy (70), and prior to completion of the Restricted Period (except for death), such Matching Restricted Stock will be forfeited to the Company. In the event of the death of a Participant prior to vesting in the Matching Restricted Stock, a pro-rata portion of such shares will vest and be delivered to the Participant's beneficiary, based on the ratio of the number of months during which the shares were on deposit prior to the Participant's death to the number of months in the Restricted Period, with all remaining shares being forfeited. In the event of the death of a Participant prior to completion of a performance cycle, as established in accordance with the terms of a performance accelerated vesting schedule, a pro-rata portion of such shares will vest and be delivered to the Participant's beneficiary, at the end of the performance cycle, based on the ratio of the number of months during which the shares were on deposit prior to the Participant's death to the number of months completed in the performance cycle, with all remaining shares being forfeited.

7. A Participant may temporarily withdraw all or a portion of the shares on deposit for all Plan Years (other than Matching Restricted Stock) in order to exercise Company stock options, subject to an equal number of shares of Common Stock being immediately re-deposited with the Agent after such exercise.

## **PART V**

### **DEFERRAL OF CASH INCENTIVE AWARDS**

Subject to rules adopted by the Committee, a Participant may elect to defer all or a portion of a cash Award during each calendar year in accordance with the terms and conditions of the Company's FlexComp Plan or any successor plan.

In order to defer all or a portion of the cash Award for a particular bonus period, a Participant must make a valid election under the FlexComp Plan by executing and filing a deferral election form with the Company pursuant to the terms of the FlexComp Plan.

## PART VI

### PLAN ADMINISTRATION

This Plan will be effective in each fiscal year of the Company and will be administered by the Committee and the Committee will have full authority to interpret the Plan. Such interpretations of the Committee will be final and binding on all parties, including the Participants, survivors of the Participants, and the Company.

The Committee will have the authority to delegate the duties and responsibilities of administering the Plan, maintaining records, issuing such rules and regulations as it deems appropriate, and making the payments hereunder to such employees or agents of the Company as it deems proper.

The Board, or if specifically delegated, its delegate, may amend, modify or terminate the Plan at any time, provided, however, that no such amendment, modification or termination will adversely affect any benefit earned (but not necessarily vested) under the Plan prior to the date of such amendment or termination, unless the Participant, or the Participant's beneficiary, becomes entitled to an amount equal to or greater than the value of the adversely affected portion of such benefit under another plan, program or practice adopted by the Company. Notwithstanding the above, an amendment, modification, or termination affecting previously accrued benefits may not occur after a Change of Control without the written consent of a majority of the Participants determined as of the day before such Change of Control.

This paragraph applies only to a Participant who at any time was or is designated as an officer-level employee in the Company payroll system with the Peoplesoft identifier "OFC" or its equivalent. Notwithstanding the provisions of Parts III, IV and V of this Plan, if (a) the Company is required to restate its financial statements due to fraud and (b) the Committee determines that a Participant 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 such Participant to, and such Participant shall immediately upon notice of such Committee determination, return to the Company any cash payments, Awards (including cash dividends) or cash in the amount of any proceeds received by such Participant or such Participant's personal representative from the disposition or transfer of any such Awards received by such Participant or such Participant's personal representative pursuant to Parts III, IV and V of this Plan, in each case 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 such Participant's rights to any cash payments or Awards under this Plan that are not vested on the date that the Committee makes such determination shall be immediately and irrevocably forfeited, including rights to receive any dividends with respect to any Awards made pursuant to Parts III, IV and V of this Plan. The Committee shall have the authority and discretion to make any determination regarding the specific implementation of this provision with respect to such Participants.

In the event the Company will effect one or more changes, split-ups or combinations of shares of Common Stock or one or more other like transactions, the Board or the Committee may make such adjustment, upward or downward, in the number of shares of Common Stock to be deposited by the Participants as will appropriately reflect the effect of such transactions.

In the event the Company will distribute shares of a subsidiary of the Company to its stockholders in a spin-off transaction, the shares of stock of the subsidiary distributed to Participants, which are attributable to Restricted Stock, will be vested and delivered to the Participants subject to any specific instructions of the Committee.

Except as otherwise provided in this Plan, neither any benefit payable hereunder nor the right to receive any future benefit under the Plan may be anticipated, alienated, sold, transferred, assigned, pledged, encumbered, or subjected to any charge or legal process. If any attempt is made to do so, or if a person eligible for any benefits becomes bankrupt, the Committee, in its sole discretion, may terminate the interest under the Plan of the person affected and may cause the interest to be held or applied for the benefit of one or more of the dependents of such person or may make any other disposition of such interest that it deems appropriate.

All questions pertaining to the construction, validity and effect of the Plan will be determined in accordance with the laws of the State of Florida and the laws of the United States.

Approved by sole stockholder on February 27, 1995, effective May 28, 1995

Amended May 23, 1996

Approved by shareholders September 19, 1996

Amended June 21, 1999

Amended June 21, 2000 effective as of June 1, 2000, subject to shareholder approval

Approved by shareholders September 20, 2000

Amended June 19, 2003

Amended December 17, 2008

Amended July 23, 2009

Amended June 16, 2015

**DARDEN RESTAURANTS, INC.  
2015 OMNIBUS INCENTIVE PLAN**

**FY 20[ ] RESTRICTED STOCK UNIT AWARD AGREEMENT  
(United States)**

This Restricted Stock Unit Award Agreement (the “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 Restricted Stock Units during the Company’s fiscal year 20[ ]. This Agreement is effective as of the Grant Date communicated to you and set forth in the Company’s records.

The Company wishes to award to you a number of Restricted Stock Units, subject to certain restrictions as provided in this Agreement, in order to carry out the purpose of the Company’s 2015 Omnibus 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 Restricted Stock Units.

The Company hereby grants to you, effective as of the Grant Date, an Award of Restricted Stock Units for that number of Restricted Stock Units communicated to you and set forth in the Company’s records (the “RSUs”), on the terms and conditions set forth in such communications, this Agreement and the Plan. Each RSU represents the right to receive, on the vesting date or dates set forth in Sections 3 and 4 hereof, one share of Stock.

2. Rights with Respect to the RSUs.

The RSUs granted hereunder do not and shall not give you any of the rights and privileges of a shareholder of Stock. Your rights with respect to the RSUs 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 RSUs lapse, in accordance with Sections 3 or 4 hereof. [Your right to receive cash payments and other distributions with respect to the RSUs is more particularly described in Sections 7(b) and (c) hereof.] <sup>1</sup>

3. Vesting.

Subject to the terms and conditions of this Agreement, including the clawback and forfeiture provisions under Section 6 and Section 10 below, the RSUs shall vest, and the restrictions with respect to the RSUs shall lapse, on [vesting schedule variable] if you remain continuously employed by the Company or an Affiliate until the respective vesting dates.

<sup>1</sup> **Note to Draft** : The right to receive accrued dividends and distributions upon vesting is a variable term that may be excluded from the award agreement. All references to the payment of accrued dividends and distributions in this Agreement have been bracketed.

#### 4. Early Vesting; Forfeiture.

If you cease to be employed by the Company or an Affiliate prior to the vesting of the RSUs pursuant to Section 3 hereof, your rights to all of the unvested RSUs shall be immediately and irrevocably forfeited[, including the right to receive cash payments and other distributions pursuant to Sections 7(b) and (c) hereof.] Notwithstanding the foregoing, the RSUs shall vest subject to the terms and conditions of this Agreement, including the clawback and forfeiture provisions under Section 6 and Section 10 below: <sup>2</sup>

(a) If, within two years after the date of the consummation of a Change in Control that occurs after the Grant Date, the Company terminates your employment for any reason other than for Cause (using the standard definition set forth in Section 2.8 of the Plan), death or Disability, or you terminate employment for Good Reason, you shall become immediately and unconditionally vested in all RSUs and the restrictions with respect to all of the RSUs shall lapse.

(b) [If (i) the Company or an Affiliate terminates your employment involuntarily and not for Cause (using the standard definition set forth in Section 2.8 of the Plan) prior to the vesting of the RSUs pursuant to Section 3 hereof, and (ii) your combined age and years of service with the Company or an Affiliate (pursuant to the method for crediting service under the Darden Savings Plan) equal at least 70, then the RSUs will vest on a pro rata basis on the date of your termination of employment, based on the number of full months of employment completed from the Grant Date to the date of your termination of employment divided by the number of full months in the vesting period for any unvested RSUs, and your rights to all of the unvested RSUs shall be immediately and irrevocably forfeited;]

(c) [If you Retire (as defined under Section 4(h) below) on or after age 65 with five years of service with the Company or an Affiliate (pursuant to the method for crediting service under the Darden Savings Plan) (“Normal Retirement”) prior to the vesting of the RSUs pursuant to Section 3 hereof, you shall become immediately and unconditionally vested in all RSUs and the restrictions with respect to all RSUs shall lapse on the date of your Normal Retirement;]

(d) [If you Retire on or after age 55 with ten years of service with the Company or an Affiliate (pursuant to the method for crediting service under the Darden Savings Plan) but before Normal Retirement (“Early Retirement”), the RSUs will vest on a pro rata basis on the date of your Early Retirement, based on the number of full months of employment

<sup>2</sup> **Note to Draft** : The CEO has the flexibility, in his sole discretion, to include or exclude the Rule of 70 provision in Section 4(b). In lieu of accelerated vesting under the Rule of 70, the CEO shall have the authority to provide for accelerated vesting upon a termination without Cause using the following alternative language:

[ If the Company or an Affiliate terminates your employment involuntarily and not for Cause (using the standard definition set forth in Section 2.8 of the Plan) prior to the vesting of the RSUs pursuant to Section 3 hereof, then the RSUs will fully vest on the date of your termination of employment, provided that you execute a form of general release in a form acceptable to the Company. ]

The intent is for the retirement provisions of Sections 4(c) and (d) to be included in annual grants and to have the flexibility to include or exclude these provisions in off-cycle grants.

completed from the Grant Date to the date of your Early Retirement divided by the number of full months in the vesting period for any unvested RSUs, and your rights to all of the unvested RSUs shall be immediately and irrevocably forfeited;]

(e) If you die prior to the vesting of the RSUs pursuant to Section 3 hereof, you shall become immediately and unconditionally vested in all RSUs and the restrictions with respect to all RSUs shall lapse on the date of your death. No transfer by will or the Applicable Laws of descent and distribution of any RSUs 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; or

(f) If you become Disabled (as defined below) prior to the vesting of the RSUs pursuant to Section 3 hereof, you shall become immediately and unconditionally vested in all RSUs and the restrictions with respect to all RSUs shall lapse on the date on which the Committee administering the Plan makes the determination that you are Disabled. 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. If you have met the age and service conditions set forth in Sections 4(c) or 5(d) at the time of becoming Disabled, then such disability shall only accelerate the payment of (and the lapse of restrictions with respect to) RSUs which are no longer subject to a substantial risk of forfeiture if the disability constitutes a “disability” within the meaning of Code Section 409A (and the guidance issued thereunder) (a “Section 409A Disability”). If the disability does not qualify as a Section 409A Disability, and you have met the foregoing age and service conditions, this Section 4(f) shall not apply to you and the RSUs shall be paid (and the restrictions with respect thereto shall lapse) at the time otherwise provided for under this Agreement.

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

(i) without your express written consent, (a) 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 the consummation of a Change in Control or (b) any other substantial adverse change in such position (including titles), authority or responsibilities; or

(ii) a material reduction in your base salary, target annual bonus opportunity, long-term incentive opportunity or aggregate employee benefits as in effect immediately prior to the date of the consummation of a Change in Control, other than (a) an inadvertent failure remedied by the Company promptly after receipt of notice thereof given by you or (b) 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 Company generally.

You shall only have Good Reason if (A) you have provided notice of termination to the Company of any of the foregoing conditions within ninety (90) days of the initial existence of the condition, (B) the Company has been given at least thirty (30) days following receipt of such notice to cure such condition, and (C) if such condition is not cured within such thirty (30) day period, you actually terminate employment within sixty (60) days after the notice of termination. Your mental or physical incapacity following the occurrence of an event described above in clauses (i) or (ii) shall not affect your ability to terminate employment for Good Reason and your death following delivery of a notice of termination for Good Reason shall not affect your estate's entitlement to settlement of the RSUs as provided hereunder upon a termination of employment for Good Reason.

(h) For purposes of this Agreement, "Retire" means that you voluntarily terminate your employment with the Company and its Affiliates after having attained a combination of age and years of service that meets the requirements of either Section 4(c) or Section 4(d) above and, prior to such employment termination, you have: (i) given the Company's Chief Human Relations Officer ("CHRO") or your immediate supervisor at least three months' prior written notice (or such shorter period of time approved in writing by the CHRO or your immediate supervisor) of your intended retirement date and (ii) completed transition duties and responsibilities as determined by the CHRO and/or your immediate supervisor during the notice period in a satisfactory manner, as reasonably determined by either of them. Notwithstanding the foregoing, you shall be deemed to Retire for purposes of this Section if your employment is involuntarily terminated by the Company without Cause after having met one of the age and service requirements set forth above, provided that you have timely completed transition duties and responsibilities as determined by the CHRO and/or your immediate supervisor, if any, in a satisfactory manner, as reasonably determined by either of them.

5. Restriction on Transfer.

Except as contemplated by Section 4(e) hereof, none of the RSUs may be sold, assigned, transferred, pledged, attached or otherwise encumbered, and no attempt to transfer the RSUs, 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 RSUs.

6. Clawback and Forfeiture upon Financial Restatements.

Notwithstanding the provisions of Sections 3, 4 and 7 of this Agreement, if you are an executive officer (as defined under SEC rules) of the Company at any time after the Grant Date and (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, [repay to the Company any shares of Stock, cash payments or other property received by you or your personal representative pursuant to Sections 7(b) and (c) of this Agreement,] return to the Company any shares of Stock received by you or your personal representative from the payment of the RSUs pursuant to Section 7 of this Agreement and pay to

the Company in cash the amount of any proceeds received by you or your personal representative from the disposition or transfer of, and any dividends and other distributions of cash or property received by you or your personal representative with respect to, any shares of Stock received by you or your personal representative from the payment of the RSUs pursuant to Section 7 of this Agreement, in each case 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 RSUs that are not vested on the date that the Committee makes such determination shall be immediately and irrevocably forfeited[, including the right to receive cash payments and other distributions on such RSUs pursuant to Sections 7(b) and (c) of this Agreement]. Notwithstanding anything to the contrary in this Section 6, the Committee shall have the authority and discretion to make any determination regarding the specific implementation of this Section 6 with respect to you. In addition to this Section 6, the RSUs and any rights to Stock or other property thereunder shall be fully subject to any “clawback” or compensation recovery policy that may later be adopted by the Company or imposed under Applicable Laws.

7. Payment of RSUs; Issuance of Stock.

(a) No shares of Stock shall be issued to you (or your beneficiary or, if none, your estate in the event of your death) prior to the date on which the applicable RSUs vest, in accordance with the terms and conditions communicated to you and set forth in the Company’s records. After any RSUs vest pursuant to Sections 3 or 4 hereof, the Company shall promptly, but no later than 30 days following the applicable vesting date, cause to be issued in your name one share of Stock for each RSU [and pay to you any accumulated distributions pursuant to Sections 7(b) and (c) hereof], in each case less any applicable withholding taxes; provided, however, that any distribution [(including any distribution of amounts otherwise described in Sections 7(b) and (c) below)] 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) on account of a separation from service shall be made as soon as reasonably 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). The Company will not deliver any fractional share of Stock but will pay, in lieu thereof, the Fair Market Value of such fractional share of Stock.

(b) [On each date on which shares of Stock under Section 7(a) are delivered to you (or your beneficiary or, if none, your estate in the event of your death), the Company shall also deliver to you (or your beneficiary or, if none, your estate in the event of your death) the number of additional shares of Stock, the number of any other securities of the Company and the value or actual issuance of any other property (in each case as determined by the Committee) (except for cash dividends and other cash distributions), in each case that the Company would have distributed to you during the period commencing on the Grant Date and ending on the applicable vesting date in respect of the shares of Stock that are being delivered to you under Section 7(a) had such shares been issued to you on the Grant Date, without interest, and less any tax withholding amount applicable to such distribution. To the extent that the RSUs are forfeited prior to vesting, the right to receive such distributions shall also be forfeited.]

(c) [On each date on which shares of Stock under Section 7(a) are delivered to you (or your beneficiary or, if none, your estate in the event of your death), the Company shall make a cash payment to you (or your beneficiary or, if none, your estate in the event of your death) equal to the aggregate amount of cash dividends and other cash distributions that the Company would have paid to you during the period commencing on the Grant Date and ending on the applicable vesting date in respect of the shares of Stock that are being delivered to you under Section 7(a) had such shares been issued to you on the Grant Date, without interest, and less any applicable withholding taxes. To the extent that the RSUs are forfeited prior to vesting, the right to receive such cash payment shall also be forfeited.]

8. 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 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 Stock such that an adjustment of the RSUs 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 RSUs.

9. Taxes.

(a) You acknowledge that you will consult with your personal tax advisor regarding the income tax consequences of the grant of the RSUs, [the receipt of cash payments and other distributions pursuant to Sections 7(b) and (c) hereof,] the vesting of the RSUs and the receipt of shares of Stock upon the vesting of the RSUs, 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 RSUs and the corresponding receipt of shares of Stock and cash payments by (i) delivering cash (including check, draft, money order or wire transfer made payable to the order of the Company), (ii) having the Company withhold a portion of the shares of Stock or cash otherwise to be delivered having a Fair Market Value equal to the amount of such taxes, or (iii) delivering to the Company shares of Stock having a Fair Market Value equal to the amount of such taxes. The Company will not deliver any fractional share of Stock but will pay, in lieu thereof, the Fair Market Value of such fractional share of Stock. Your election must be made on or before the date that the amount of tax to be withheld is determined. The maximum number of shares of Stock that may be withheld to satisfy any applicable tax withholding obligations arising from the

vesting and settlement of the RSUs may not exceed such number of shares of Stock having a Fair Market Value equal to the minimum statutory amount required by the Company to be withheld and paid to any federal, state, or local taxing authority with respect to such vesting and settlement of the RSUs, or such greater amount as may be permitted under applicable accounting standards. If you do not make a tax withholding election under this Section 9(b), the Company shall withhold shares of Stock as provided in Section 9(b)(ii) above.

10. [ Restrictive Covenants.<sup>3</sup>

(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, including the Defend Trade Secrets Act of 2016) 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 (as defined below), (2) computer software, hardware, network and internet technology utilized, modified or enhanced by the Company or by you in furtherance of your 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 (collectively, "Confidential Information"). "Business Opportunities" means all ideas, concepts or information received or developed (in whatever form) by you 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

<sup>3</sup> **Note to Draft** : The restrictive covenants in Section 10 shall be included in grants to executive officers. The CEO shall have discretion whether or not to include these covenants in grants to other individuals.

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 your employment with the Company 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 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 (as defined below), 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 this Section 10(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 with the Company 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 (as defined below) during the last two years of your employment with the Company, 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.

(d) Non-Recruitment. You agree that during the course of your employment with the Company 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 provisions of this Section 10(d) 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 Section 10(c) above and this Section 10(d) shall be limited to apply only where you use or disclose 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, goodwill, 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, goodwill, business relationships, employees, economic advantages, and/or other legitimate business interests. You acknowledge that the consideration, including this 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. By accepting this Agreement, you specifically recognize and affirm that strict compliance with terms of the covenants set forth in this Section 10 is required in order to vest in the RSUs and receive the shares of Stock. You agree that should all or any part or application of this Section 10 be held or found invalid or unenforceable for any reason whatsoever by a court of competent jurisdiction in an action between you and the Company, you nevertheless shall not vest in any RSUs and receive any of shares of Stock if you violated any of the terms of any of the covenants set forth in this Section 10.

(f) Survival of Covenants. The provisions and restrictive covenants in this Section 10 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 10. 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 10, 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) Clawback and Forfeiture due to Violating Section 10. In the event that you violate any of the terms of this Section 10, you understand and agree that in addition to the Company's rights to obtain injunctive relief and damages for such violation, (i) you shall

return to the Company any shares of Stock received by you or your personal representative from the payment of any RSUs that vested [on or after any such violation or pursuant to Section 4 of this Agreement] and pay to the Company in cash the amount of any proceeds received by you or your personal representative from the disposition or transfer of any such RSUs, and (ii) your unvested RSUs shall be immediately forfeited.]

11. 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. In addition, the Company or an Affiliate 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 RSUs reserve and keep available such number of shares of 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 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,]<sup>4</sup> 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.

<sup>4</sup> **Note to Draft** : This language only to be included in Agreements that contain the restrictive covenants in Section 10.

(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). Subject to Section 11(f) hereof, you agree 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) Offset. Any severance or other payment or benefits to you under the Company's plans and agreements may be reduced in the Company's discretion, by any amounts that you owe the Company under Section 6 or Section 10 of this Agreement, provided that any such offset occurs at a time so that it does not violate Section 409A of the Code and is permitted under Applicable Laws.

(j) Award Agreement and Related Documents. This RSU Award 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 RSU Grant. [You are not required to execute this Agreement, but you will have 60 days from the Grant Date to notify the Company of any issues regarding the terms and conditions of this Agreement; otherwise, you will be deemed to agree with them. **OR YOU MUST REVIEW AND ACKNOWLEDGE ACCEPTANCE OF THE TERMS OF THIS AGREEMENT, INCLUDING SPECIFICALLY THE RESTRICTIVE COVENANTS, THE CLAWBACK AND FORFEITURE PROVISIONS UNDER SECTION 6 AND SECTION 10 OF THIS AGREEMENT AND THE COMPANY'S OFFSET PROVISIONS, 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 RSU GRANT.**] <sup>5</sup> In connection with your RSU grant and this 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.

<sup>5</sup> **Note to Draft** : Active acceptance of the Agreement only to be included in Agreements that contain the restrictive covenants in Section 10.

**DARDEN RESTAURANTS, INC. 2002  
STOCK INCENTIVE PLAN**

**RESTRICTED STOCK UNIT AWARD AGREEMENT FOR TODD BURROWES**

This Restricted Stock Unit Award Agreement (the "Agreement") is between Darden Restaurants, Inc., a Florida corporation (the "Company" or "Corporation"), and you (Todd Burrowes), a person notified by the Company, and identified in the Company's records, as the recipient of an Award of Restricted Stock Units during the Company's fiscal year 2016. This Agreement is effective as of July 28, 2015, the date communicated to you and set forth in the Company's records (the "Grant Date").

The Company wishes to award to you a number of Restricted Stock Units, subject to certain restrictions as provided 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 Restricted Stock Units The Company hereby grants to you, effective as of the Grant Date, an Award of Restricted Stock Units for that number of Restricted Stock Units having an aggregate Fair Market Value equal to the value communicated to you and set forth in the Company's records and as reflected below (the "RSUs"), on the terms and conditions set forth in such communication, this Agreement and the Plan. Each RSU represents the right to receive, on the vesting date or dates communicated to you and set forth in the Company's records, one share of the Company's Common Stock, no par value (the "Common Stock").

(a) RSUs having an aggregate Fair Market Value on the Grant Date equal to \$800,000, based on the closing sales price of the shares of Common Stock on the New York Stock Exchange as reported in the consolidated transaction reporting system on the Grant Date.

2. Rights with Respect to the RSUs

The RSUs granted hereunder do not and shall not give you any of the rights and privileges of a shareholder of Common Stock, other than the right to receive dividends and other distributions as provided in Sections 9(b) and 9(c) hereof. Your rights with respect to the RSUs 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 RSUs lapse, in accordance with Sections 3 or 5 hereof.

3. Vesting

Subject to the terms and conditions of this Agreement, the RSUs shall vest, and the restrictions with respect to the RSUs shall lapse, on the date or dates and in the amount or amounts communicated to you and set forth in the Company's records and as reflected below if

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you remain continuously employed by the Company or an Affiliate of the Company until the respective vesting dates.

(a) The grant of RSUs under Section 1(a) above shall vest 100% on the fourth anniversary of the Grant Date, in each case subject to your continued employment with the Company or an Affiliate of the Company through such date.

4. Definitions of Change in Control, Cause and Good Reason.

(a) Change in Control. For purposes of this Agreement, a “Change in Control” shall mean:

(i) 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 30% or more of either (x) the then-outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (y) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that, for purposes of this Section 4(a)(i), the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any company controlled by, controlling or under common control with the Company or (D) any acquisition pursuant to a transaction that complies with Sections 4(a)(ii)(x), (y) and (z);

(ii) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or securities of another entity by the Company or any of its subsidiaries (each, a “Business Combination”), in each case unless, following such Business Combination, (x) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company 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 Company or all or substantially all of the Company’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 Company Common Stock and the Outstanding Company Voting Securities, as the

case may be, (y) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 30% 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 (z) 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 Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(iii) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(b) 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 deemed 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 Company and which constitute a criminal offense under State or Federal laws, (ii) your continued failure to substantially perform your duties with the Company (other than any such failure resulting from your incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to you by the Committee, which demand specifically identifies the manner in which the Committee believes that you have not substantially performed your duties; (iii) your willful engagement in conduct that is demonstrably and materially injurious to the Company, monetarily or otherwise; or (iv) your conviction of, or entering into a plea of either guilty or nolo contendere to, any felony, including, but not limited to, a felony involving moral turpitude, embezzlement, theft or similar act that occurred during or in the course of your employment with the Company. For purposes of this Agreement, an act, or failure to act, shall not be deemed to be "willful" unless it is done, or omitted to be done, by you in bad faith or without a reasonable belief that the action or omission was in the best interests of the Company.

(c) Good Reason. For purposes of this Agreement, "Good Reason" means:

(i) without your express written consent, (A) 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 the consummation of a Change in Control or (B) any other substantial adverse change in such position (including titles), authority or responsibilities; or

(ii) a material reduction in your base salary, target annual bonus opportunity, long-term incentive opportunity or aggregate employee benefits as in effect immediately prior to the date of the consummation of a Change in Control,

other than (A) an inadvertent failure remedied by the Company promptly after receipt of notice thereof given by you or (B) 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 Company generally.

You shall only have Good Reason if (A) you have provided notice of termination to the Company of any of the foregoing conditions within ninety (90) days of the initial existence of the condition, (B) the Company has been given at least thirty (30) days following receipt of such notice to cure such condition, and (C) if such condition is not cured within such thirty (30) day period, you actually terminate employment within sixty (60) days after the notice of termination. Your mental or physical incapacity following the occurrence of an event described above in clauses (i) or (ii) shall not affect your ability to terminate employment for Good Reason and your death following delivery of a notice of termination for Good Reason shall not affect your estate's entitlement to settlement of the RSUs as provided hereunder upon a termination of employment for Good Reason.

5. Early Vesting; Forfeiture .

(a) If you cease to be employed by the Company or an Affiliate of the Company prior to the vesting of the RSUs pursuant to Section 3 hereof, your rights to all of the unvested RSUs shall be immediately and irrevocably forfeited, except that:

(i) notwithstanding the vesting provisions contained in Section 3 above, but subject to the other terms and conditions contained in this Agreement, if, within two years after the date of the consummation of a Change in Control that occurs after the Grant Date, the Company terminates your employment for any reason other than for Cause, death or Disability, or you terminate employment for Good Reason, you shall become immediately and unconditionally vested in all RSUs and the restrictions with respect to all of the RSUs shall lapse;

(ii) if you die prior to the vesting of the RSUs pursuant to Section 3 hereof, then the RSUs will vest on a pro rata basis on the date of your death, based on the number of full months of employment completed from the Grant Date to the date of your death, divided by the number of full months in the vesting period for any unvested RSUs, and your rights to all of the unvested RSUs shall be immediately and irrevocably forfeited. No transfer by will or the applicable laws of descent and distribution of any RSUs 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; or

(iii) if you become Disabled (as defined below) prior to the vesting of the RSUs pursuant to Section 3 hereof, then the RSUs will vest on a pro rata basis on the date on which the Committee administering the Plan makes the

determination that you are Disabled, based on the number of full months of employment completed from the Grant Date to the date on which the Committee administering the Plan makes the determination that you are Disabled, divided by the number of full months in the vesting period for any unvested RSUs, and your rights to all of the unvested RSUs shall be immediately and irrevocably forfeited. For purposes of this Agreement, “Disabled” 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.

6. Restriction on Transfer

Except as contemplated by Section 5(a)(ii) hereof, none of the RSUs may be sold, assigned, transferred, pledged, attached or otherwise encumbered, and no attempt to transfer the RSUs, 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 RSUs.

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 and 5 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 shares of Common Stock underlying RSUs that vested under this Agreement and any dividends or other distributions with respect to the vested RSUs received by you or your personal representative and pay to the Company in cash the amount of any proceeds received by you or your personal representative from the disposition or transfer of any such shares of Common Stock, in each case 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 RSUs 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. Settlement of RSUs.

No shares of Common Stock shall be issued to you prior to the date on which the RSUs vest, in accordance with the terms and conditions communicated to you and set forth in the Company’s records. After the RSUs vest pursuant to Sections 3 or 5 hereof, the Company shall promptly, but no later than 30 days following the applicable vesting date, cause to be issued in your name one share of Common Stock for each RSU and pay to you any accumulated distributions (less applicable tax withholding) pursuant to Sections 9(b) and (c) hereof. Following payment of the applicable withholding taxes pursuant to Section 10 hereof, the

Company shall promptly cause such shares of Common Stock (less any shares withheld to pay taxes) to be delivered, either by book-entry registration or in the form of a stock certificate or certificates, registered in your name or in the names of your legal representatives, beneficiaries or heirs, as the case may be.

9. Distributions and Adjustments.

(a) If any RSUs vest subsequent to any change in the number or character of the Common Stock of the Company (through any stock dividend or other distribution, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares or otherwise) occurring after the Grant Date, you shall then receive upon such vesting the number and type of securities or other consideration which you would have received if such RSUs had vested prior to the event changing the number or character of the outstanding Common Stock.

(b) Any additional shares of Common Stock, any other securities of the Company and any other property (except for cash dividends or other cash distributions) distributed with respect to the shares of Common Stock underlying the RSUs prior to the date or dates the RSUs vest shall be subject to the same restrictions, terms and conditions as the RSUs to which they relate and shall be promptly deposited with the Secretary of the Company or a custodian designated by the Secretary. Any such accumulated distributions shall be distributed to you in accordance with Section 8 hereof. If the RSUs are forfeited prior to vesting, any accumulated distributions payable in respect of such RSUs shall also be forfeited.

(c) Any cash dividends or other cash distributions payable with respect to the shares of Common Stock underlying the RSUs prior to the vesting of the RSUs shall be distributed to you upon the vesting of the RSUs in the amount originally declared, without interest. Any such accumulated cash dividends or other cash distributions shall be distributed to you in accordance with Section 8 hereof. If the RSUs are forfeited prior to vesting, any accumulated cash dividends or other cash distributions payable in respect of such RSUs shall also be forfeited.

10. Taxes.

(a) You acknowledge that you will consult with your personal tax advisor regarding the income tax consequences of the grant of the RSUs, the vesting of the RSUs, the receipt of shares of Common Stock upon the vesting of the RSUs and any other matters related to this Agreement. In order to comply with all applicable federal, state or local income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal, state or local 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 receipt of, or the lapse of restrictions relating

to, the RSUs by (i) delivering cash (including check, draft, money order or wire transfer made payable to the order of the Company), (ii) having the Company withhold a portion of the shares of Common Stock, cash or other property otherwise to be delivered having a Fair Market Value equal to the amount of such taxes, or (iii) delivering to the Company shares of Common Stock having a Fair Market Value equal to the amount of such taxes. The Company will not deliver any fractional share of Common Stock but will pay, in lieu thereof, the Fair Market Value of such fractional share of Common Stock. Your election must be made on or before the date that the amount of tax to be withheld is determined.

(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.

#### 1. 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.

(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) 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.

(d) 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.

(e) Arbitration. Except for injunctive relief as set forth herein, the parties agree that any dispute between the parties regarding this Agreement shall be subject to Steps 3 and 4 of the Darden Dispute Resolution Process (the "DRP") and submitted to binding arbitration in Orlando, Florida pursuant to the DRP.

(f) 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.

(g) 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

(h) Award Agreement and Related Documents. This Restricted Stock Unit Award 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 Restricted Stock Unit Award 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 RESTRICTED STOCK UNIT GRANT.** In connection with your Restricted 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.

**DARDEN RESTAURANTS, INC.  
2002 STOCK INCENTIVE PLAN**

**FY 2014 RESTRICTED STOCK AWARD AGREEMENT FOR OFFICERS**

This Restricted Stock 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 Restricted Stock 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 a number of shares of the Company’s Common Stock, no par value (the “Common Stock”), subject to certain restrictions as provided 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 Restricted Stock.

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

2. Rights with Respect to the Shares.

With respect to the Shares, you shall be entitled to exercise the rights of a shareholder of Common Stock of the Company, including the right to vote the Shares and the right to receive cash dividends thereon as provided in Section 9(c) of this Agreement, unless and until the Shares are forfeited pursuant to Section 5 or 7 hereof. Your rights with respect to the Shares 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 Shares lapse, in accordance with Section 3, 4 or 5 hereof.

3. Vesting.

Subject to the terms and conditions of this Agreement, the Shares shall vest, and the restrictions with respect to the Shares shall lapse, on the date or dates and in the amount or amounts communicated to you and set forth in the Company’s records if you remain continuously employed by the Company or an Affiliate of the Company until the respective vesting dates.

4. Change of Control.

Notwithstanding the vesting provisions contained in Section 3 above, but subject to the other terms and conditions in this Agreement, upon the occurrence of a Change of Control (as defined below) you shall become immediately and unconditionally vested in all Shares and the

restrictions with respect to all of the Shares shall lapse 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)(i) below) or death or Disability (as defined in Section 5(a)(v) below) or you terminate employment for Good Reason. For purposes of this Agreement, "Change of Control" shall mean any of the following events:

(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) For purposes of Sections 4 and 5 hereof, the following definitions shall apply:

(i) 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.

(ii) 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)(ii), 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. Early Vesting; Forfeiture.

(a) If you cease to be employed by the Company or an Affiliate of the Company prior to the vesting of the Shares pursuant to Section 3 or 4 hereof, your rights to all of the unvested Shares shall be immediately and irrevocably forfeited, including the right to vote such Shares and the right to receive cash dividends on such Shares as provided in Section 9(c) of this Agreement, except that:

(i) if (A) the Company or an Affiliate of the Company terminates your employment involuntarily and not for Cause prior to the vesting of the Shares pursuant to Section 3 or 4 hereof, (B) your combined age and years of service with the Company or an Affiliate of the Company (pursuant to the method for crediting service under the Darden Savings Plan) equal at least 70, and (C) you were not designated as an officer-level employee in the Company payroll system with the Peoplesoft identifier "OFC" or its equivalent on the Grant Date, then the Shares will vest on a pro rata basis on the date of your termination of employment, based on the number of full months of employment completed from the Grant Date to the date of your termination of employment divided by the number of full months in the vesting period for any unvested Shares, and your rights to all of the unvested Shares shall be immediately and irrevocably forfeited;

(ii) 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 of the Shares pursuant to Section 3 or 4 hereof, you shall become immediately and unconditionally vested in all Shares and the restrictions with respect to all Shares shall lapse on the date of your Normal Retirement;

(iii) 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) but before Normal Retirement ("Early Retirement") and you were not designated as an officer-level employee in the Company payroll system with the Peoplesoft identifier "OFC" or its equivalent on the Grant Date, the Shares will vest on a pro rata basis on the date of your Early

Retirement, based on the number of full months of employment completed from the Grant Date to the date of your Early Retirement divided by the number of full months in the vesting period for any unvested Shares, and your rights to all of the unvested Shares shall be immediately and irrevocably forfeited;

(iv) if you die prior to the vesting of the Shares pursuant to Section 3 or 4 hereof, you shall become immediately and unconditionally vested in all Shares and the restrictions with respect to all Shares shall lapse on the date of your death. No transfer by will or the applicable laws of descent and distribution of any Shares 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; or

(v) if you become Disabled (as defined below) prior to the vesting of the Shares pursuant to Section 3 or 4 hereof, you shall become immediately and unconditionally vested in all Shares and the restrictions with respect to all Shares shall lapse on the date on which the Committee administering the Plan makes the determination that you are Disabled. For purposes of this Agreement, "Disabled" 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.

6. Restriction on Transfer.

Until the Shares vest pursuant to Section 3, 4 or 5 hereof, none of the Shares may be sold, assigned, transferred, pledged, attached or otherwise encumbered, and no attempt to transfer the Shares, 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 Shares.

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 and 5 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 Shares that vested under this Agreement and any distributions with respect to the vested Shares (including any cash dividends or other distributions) received by you or your personal representative and pay to the Company in cash the amount of any proceeds received by you or your personal representative from the disposition or transfer of any Shares, in each case 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 Shares that are not vested on the date that the Committee makes such determination shall be immediately and irrevocably forfeited, including the right to vote such Shares and the right to receive cash dividends on such Shares as provided in Section 9(c) of this Agreement. 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. Issuance and Custody of Certificates.

(a) The Company shall cause the Shares to be issued in your name, either by book-entry registration or issuance of a stock certificate or certificates, which certificate or certificates shall be held by the Company. The Shares shall be restricted from transfer and shall be subject to an appropriate stop-transfer order. If any certificate is issued, the certificate shall bear an appropriate legend referring to the restrictions applicable to the Shares.

(b) If any certificate is issued, you shall be required to execute and deliver to the Company a stock power or stock powers relating to the Shares as a condition to the receipt of this Award of Restricted Stock.

(c) After any Shares vest pursuant to Section 3, 4 or 5 hereof, and following payment of the applicable withholding taxes pursuant to Section 10 hereof, the Company shall promptly cause such vested Shares (less any shares withheld to pay taxes), free of the restrictions and/or legend described in Section 8 hereof, to be delivered, either by book-entry registration or in the form of a certificate or certificates, registered in your name or in the names of your legal representatives, beneficiaries or heirs, as the case may be.

9. Distributions and Adjustments.

(a) If any Shares vest subsequent to any change in the number or character of the Common Stock of the Company (through any stock dividend or other distribution, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares or otherwise) occurring after the Grant Date, you shall then receive upon such vesting the number and type of securities or other consideration which you would have received if such Shares had vested prior to the event changing the number or character of the outstanding Common Stock.

(b) Any additional shares of Common Stock of the Company, any other securities of the Company and any other property (except for cash dividends or other cash distributions) distributed with respect to the Shares prior to the date or dates the Shares vest shall be subject to the same restrictions, terms and conditions as the Shares to which they relate and shall be promptly deposited with the Secretary of the Company or a custodian designated by the Secretary.

(c) Any cash dividends or other cash distributions payable with respect to the Shares prior to the vesting of the Shares shall be distributed to you upon the vesting of the Shares in the amount originally declared, without interest. If the Shares are forfeited prior to vesting, any accumulated cash dividends or other cash distributions payable in respect of such Shares shall also be forfeited. After the Shares vest, any subsequent cash dividends or other cash distributions payable in respect of the Shares shall be distributed to you at the same time cash dividends or other cash distributions are distributed to shareholders of the Company generally.

10. Taxes.

(a) You acknowledge that you will consult with your personal tax advisor regarding the income tax consequences of the grant of the Shares, the payment of dividends on the Shares, the vesting of the Shares and any other matters related to this Agreement. In order to comply with all applicable federal, state or local income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal, state or local 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 receipt of, or the lapse of restrictions relating to, the Shares by (i) delivering cash (including check, draft, money order or wire transfer made payable to the order of the Company), (ii) having the Company withhold a portion of the Shares otherwise to be delivered having a Fair Market Value equal to the amount of such taxes, or (iii) delivering to the Company shares of Common Stock having a Fair Market Value equal to the amount of such taxes. The Company will not deliver any fractional Share but will pay, in lieu thereof, the Fair Market Value of such fractional Share. 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.

(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) Securities Matters. The Company shall not be required to deliver any Shares 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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

(h) Award Agreement and Related Documents. This Restricted Stock Award 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 Restricted Stock Award 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 RESTRICTED STOCK GRANT.** In connection with your Restricted Stock 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.

March 7, 2016

Mr. Harald Herrmann:

Thank you for providing advance notice of your decision to voluntarily resign from your employment with the Company and offering to assist with the transition of your responsibilities. After giving our prior conversation some thought, I suggest that you remain employed by the Company until August 29, 2016.

Our plan is to begin the transition soon. Effective March 9, 2016, your job title will change to Senior Vice President, Special Projects, and you will continue reporting to me. In this new role, you will assist in the transition of the organization in light of your decision. You will remain actively employed, on an at-will basis, through and until August 29, 2016, and your compensation and employment terms will remain subject to the terms of the Company's applicable plans, policies, award agreements and prior agreements between you and the Company.

Because of the status of your Management Continuity Agreement with Darden Restaurants, Inc. dated as of December 17, 2013 (the "MCA"), I do want to be clear about this. For the avoidance of doubt, I want to confirm that nothing described in this letter will give you any greater rights under your MCA with respect to the "change of control" (as that term is defined in the MCA) of the Company that occurred on October 10, 2014, as neither your decision to leave the Company nor the execution of our transition plan triggers any "Good Reason" (as that term is defined in the MCA) rights under the MCA. To show that you share this understanding, I ask you to sign below to confirm your decision to resign as of August 29, 2016 and show your express written consent to these changes to your position, authority and responsibilities.

Thank you for your contributions to the Company during your years of service to Darden. I look forward to continuing to work with you in your new role and appreciate your thoughtfulness in sharing your intentions and willingness to assist with this transition.

Darden Restaurants, Inc.

By /s/ Gene Lee

Gene Lee

President & CEO

/s/ Harald Herrmann

Harald Herrmann

Date 3/8/2016

March 25, 2016

Mr. Jeffrey Davis  
1208 Lake Whitney Drive  
Windermere, FL 34786

Thank you for your contributions to Darden. This Agreement (the "Agreement") will confirm your termination of employment from one or more subsidiaries of Darden Restaurants, Inc. (Darden Restaurants, Inc. and its subsidiaries hereinafter referred to as the "Company") on March 9, 2016 (the "Separation Date"). On the Separation Date, you ceased to be actively employed by the Company, and you will become eligible, subject to the terms stated below, to receive the separation benefits described below. This letter sets forth our mutual understanding of the terms of your separation.

1. This Agreement, together with the Summary of Benefits attached to this Agreement, will supersede all terms and provisions of any prior employment agreement, oral or written, between you and the Company, including the Change in Control Agreement between you and the Company dated as of July 23, 2015 (collectively described as a "Prior Agreement"). Except as provided herein, any Prior Agreement, shall be of no further force and effect.

2. Provided that you timely execute this Agreement and do not revoke your signature during the Revocation Period (as defined below), you will be entitled to the separation benefits listed below.

(a) A lump sum payment of \$1,080,000.00 less applicable taxes and withholdings, as severance pay, payable on the first regular payroll date following the expiration of the Revocation Period referenced at the end of this letter. This amount represents the sum of (i) 52 (fifty-two) weeks of pay at your base salary plus (ii) additional cash consideration of \$520,000.

(b) You will not be required to pay back any amounts related to the cost of your relocation.

(c) You will not be required to pay back any portion of the sign-on bonus you received in connection with your employment by the Company. To the extent you deferred any portion of the sign-on bonus, the balance will be paid out in accordance with the terms of the Flexcomp Plan, which will be no later than March 8, 2017.

(d) Any outstanding business expenses incurred prior to the Separation Date must be submitted to the Company in accordance with the Company's expense reimbursement policy.

(e) Your eligibility to participate in the Company's financial counseling benefits program and in the Company's physical examination benefits program ended on the Separation Date. Any outstanding expenses incurred prior to the Separation Date may be submitted.

(f) Your eligibility to participate in medical, dental, and vision coverage ended on the Separation Date, as did your eligibility for all Company welfare benefits, including but not limited to any life insurance, short-term disability coverage (including salary continuation) or long-term disability coverage. As your medical insurance coverage ended as of the

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Separation Date, you may elect to continue coverage under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"). Regardless of whether you elect COBRA continuation coverage, the Company will pay you a one-time lump sum of Nine Thousand Four Hundred Dollars (\$9,400.00), less applicable withholdings, which you may use for any purpose. Payment will be made at the same time as payment of severance pay is made pursuant to paragraph 2(a).

(g) You will not be eligible to participate in benefit plans or programs sponsored by the Company after the Separation Date (other than continued COBRA coverage should you so elect), except that the Company will provide outplacement services to you in the form of a twelve-month executive program with a service provider to be selected by the Company the cost for which direct payment to the service provider shall not exceed Thirty Thousand Dollars (\$30,000.00).

(h) Pursuant to the terms of the Management Incentive Plan for fiscal year 2016, you are not eligible for a bonus payout.

(i) Pursuant to the terms of your, Restricted Stock Unit Award Agreement, Performance Stock Units Award Agreement and Non-Qualified Stock Option Award Agreements, as a result of your termination of employment, all of your equity awards are unvested and will be forfeited as of the Separation Date.

(j) As soon as practical (and in any event within 30 days) following the expiration of the Revocation Period, the Company will transfer to you, at no cost to you, the Company ownership portion of your Company car. Within 7 days of the transfer of the Company ownership portion of the Company car to you, you will need to acquire personal automobile insurance to cover the Company car and provide evidence of such insurance to the Company. The value of this transfer shall be determined based upon the depreciated fair market value of the car at the time of the transfer. Any income tax, payroll tax and other withholdings required with respect to such transfer shall be deducted from the severance pay described in paragraph 2(a).

3. In consideration of the Company's covenants and agreements contained herein, you agree to the following:

(a) The Company's reputation and goodwill in the marketplace is of utmost importance and value to the Company. You further agree not to make, publish or cause to be published any public or private statement or comments disparaging or defaming Darden Restaurants, Inc., its subsidiaries or affiliates, Board of Directors or the management of those companies. You acknowledge and agree that this prohibition extends to statements, written or verbal, made to anyone, including but not limited to, the news media, competitors, vendors, and employees (past and present). You further understand and agree that this paragraph is a material provision of this Agreement and that any breach of this paragraph shall be a material breach of this Agreement, and that the Company would be irreparably harmed by violation of this provision.

Likewise, the Company's "Executive Officers," as defined in Rule 3b-7 of Regulation S-K of the Exchange Act, will not make any statements, or cause any statements to be made, or take any action, disparaging or defaming you. This provision applies to all forms of expression, including verbal and written, and through all available mediums such

as the internet. The Company understands and agrees that this paragraph is a material provision of this Agreement, and that any breach of this paragraph shall be a material breach of this Agreement, and that you would be irreparably harmed by violation of this provision.

(b) You have not disclosed and will not disclose any confidential or proprietary information of the Company or its affiliates, including Olive Garden, Bahama Breeze, LongHorn Steakhouse, The Capital Grille, Seasons 52, Yard House or Eddie V's to any third parties, and to hold the confidential information in confidence and not to use, transfer, or disclose the information, directly or indirectly to anyone. Unauthorized disclosure shall be a material breach of this Agreement, and that the Company would be irreparably harmed by violation of this provision.

(c) You are not eligible for reemployment or independent contractor status with the Company and hereby waive any claim of right to reemployment by the Company, including any of its subsidiaries or affiliates. You also agree that you are not now seeking and will not in the future seek employment or independent contractor status with the Company. You agree that if, for some reason, you are reemployed by the Company in any capacity, such employment will be immediately terminated upon the Company's discovery of such employment. You further agree that upon the Company's termination of such employment, you shall make no claim whatsoever as a result of such termination.

(d) After the Separation Date, you will make yourself available at reasonable times, intervals and places for interviews, consultations, internal investigations and/or testimony during which you will provide to the Company, or its designated attorneys or agents, any and all information known to you regarding or relating to the Company or your activities on behalf of the Company pertaining to the subject matter on which your cooperation is sought. You agree to remain involved for so long as any such matters shall be pending. The Company will pay all reasonable expenses up to a total of Twenty Thousand Dollars (\$20,000), including, but not limited to, attorneys' fees, incurred in connection with your participation under this paragraph, and will provide you, subject to your ongoing obligations to maintain confidentiality, with access to Company documents, records or other materials as may be necessary in connection with your legal representation, including in preparation for making yourself available to the Company or its representatives, participating in any third party legal proceeding or government investigation, and/or providing testimony.

(e) You further agree that if you are ever subpoenaed or otherwise required by law to provide any statement or other assistance to a party to a dispute or litigation with the Company, other than the Company, then you will provide written notice of the circumstances requiring such statement or other assistance, including where applicable a copy of the subpoena or other legal writ, in such a manner and at such a time that allows the Company to timely respond.

(f) Non-Disclosure.

i) During the course of your employment you have received 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 you in furtherance of your 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 (all of which constitutes "Confidential Information"). "Business Opportunities" means all ideas, concepts or information received or developed (in whatever form) by you 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. For a period of five (5) years following the Separation Date, 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) You agree that no later than thirty (30) days after the Separation date you will deliver to the Company 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, computers, phones, personal digital assistants, books, records, videos, cards, keys, Company credit cards 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 (collectively "Company Property"). You agree to allow the Company, at its request within thirty (30) days of the effective date of this Agreement, 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.

(g) Non-Competition. You agree that for a period of twelve (12) months following the Separation Date (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) 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.

(h) Non-Solicitation. You agree that you shall not at any time 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.

(i) Non-Recruitment. You agree that 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. The Company agrees that responding to a reference request made to you regarding an employee of the Company shall not be a violation of this paragraph.

(j) 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 Agreement 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.

(k) 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.

(l) 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.

(m) That nothing in this Agreement shall be construed as an admission of liability by the Company or you; rather, we are resolving any and all matters and disputes regarding your employment and separation from the Company.

(n) Release.

(i) You, for yourself, your spouse and your agents, successors, heirs, executors, administrators and assigns, hereby irrevocably and unconditionally forever release and discharge the Company, its parents, divisions, subsidiaries and affiliates and its and their current and former owners, directors, officers, shareholders, insurers, benefit plans, representatives, agents and employees, and each of their predecessors, successors, and assigns (collectively, "the Releasees"), from any and all actual or potential claims or liabilities of any kind or nature, including, but not limited to, any claims arising out of or related to your employment and separation from employment with the Company and any services that you provided to the Company; any claims for salary, commissions, bonuses, other severance pay, vacation pay, allowances or other compensation, or for any benefits

under the Employee Retirement Income Security Act (except for vested ERISA benefits); any claims for discrimination, harassment or retaliation of any kind or based upon any legally protected classification or activity; any claims under Title VII of the Civil Rights Acts of 1964, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Americans with Disabilities Act, 42 U.S.C. §1981, 42 U.S.C. § 1983, the Family Medical Leave Act and any similar state law, the Fair Credit Reporting Act and any similar state law, the Equal Pay Act and any similar state law, including the Florida Civil Rights Act, the Florida Whistleblower Act, the Florida Minimum Wage Act, Florida Statute §448.08 (and any other claim for unpaid wages or other compensation under Florida law), as well as any amendments to any such laws; any claims for any violation of any federal or state constitutions or executive orders; any claims for wrongful or constructive discharge, violation of public policy, breach of contract or promise (oral, written, express or implied), personal injury not covered by workers' compensation benefits, misrepresentation, negligence, fraud, estoppel, defamation, infliction of emotional distress, contribution and any claims under any other federal, state or local law, including those not specifically listed in this Agreement, that you, your heirs, executors, administrators, successors, and assigns now have, ever had or may hereafter have, whether known or unknown, suspected or unsuspected, up to and including the date of this Agreement.

(ii) For the purpose of implementing a full and complete release and discharge of the Releasees as set forth above, you acknowledge that this release is intended to include in its effect, without limitation, all claims known or unknown that you have or may have against the Releasees which arise out of or relate to your employment, including but not limited to compensation, performance or termination of employment with the Company, except for, and notwithstanding anything in this Agreement to the contrary, claims which cannot be released solely by private agreement. This release also excludes any claim for workers' compensation benefits and any rights you may have to indemnification or directors' and officers' liability insurance under the Company's bylaws or certificate of incorporation, any indemnification agreement to which you are a party or beneficiary or applicable law, as a result of having served as an officer, director or employee of the Company or any of its affiliates. You further acknowledge and agree that you have received all leave, compensation and reinstatement benefits to which you were entitled through the date of this Agreement, and that you were not subjected to any improper treatment, conduct or actions as a result of a request for leave, compensation or reinstatement.

(iii) You affirm, by signing this document, that you have not suffered any unreported injury or illness arising from your employment, and that you have not filed, with any federal, state, or local court or agency, any actions or charges against the Releasees relating to or arising out of your employment with or separation from the Company. You further agree that while this release does not preclude you from filing a charge with the National Labor Relations Board ("NLRB"), the Equal Employment Opportunity Commission ("EEOC") or a similar state or local agency, or from participating in any investigation or proceeding with them, you do waive your right to personally recover monies or reinstatement as a result of any complaint or charge filed against the Company with the NLRB, EEOC or any federal, state or local court or agency, except as to any action to enforce or challenge this Agreement, to recover any vested benefits under ERISA, or to recover workers' compensation benefits.

(o) That in addition to all other applicable legal and equitable remedies available to the Company upon your breach of any provision of this Agreement, if you violate any provision of this Agreement, the Company will be entitled to immediate injunctive relief. You authorize the Company to seek such relief in the state or federal court in Orange County, Florida, and you hereby waive all objections to venue and personal jurisdiction.

(p) Nothing herein shall prevent you from cooperating with co-defendants in litigation without a need to obtain prior consent or approval from the company; however, you shall provide prompt notice of any voluntary giving of oral or written statements to such parties, and provide to the Company a copy of any written statement so given or a summary of any oral statement provided. Further, nothing in this Agreement or any other Agreement prohibits you from reporting possible violations of federal law or regulation to any governmental agency or entity including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any Inspector General, or making other disclosures that are protected under applicable whistleblower laws, and you are not required to notify the Company if you should make any such reports or disclosures.

4. You must return all Company Property other than the Company car to Matt Broad not later than 30 days after the Separation Date. At that time, you also will provide any passwords or Personal Identification Numbers needed to access any Company Property such as electronic files or devices. The Company may, in its sole discretion, authorize you in writing to retain some or all such Company Property until a specified date, at which time you shall return all such Company Property to the Company.

5. You acknowledge:

(a) That you were provided twenty-one (21) full days during which to consider whether to sign this Agreement. If you have signed this Agreement prior to the expiration of the 21-day period, you have voluntarily elected to forego the remainder of that period.

(b) That you have carefully read and fully understands all of the terms of this Agreement.

(c) That you understand that by signing this Agreement, you are waiving your rights under the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act, 29 U.S.C. § 621, et seq., as well as all rights to all claims described in Section 3 of this Agreement, and that you are not waiving any rights arising after the date that this Agreement is signed.

(d) That you have been given an opportunity to consult with anyone you choose, including an attorney, about this Agreement and the release it contains.

(e) That you understand fully the terms and effect of the Agreement and release and know of no claim that has not been released by this Agreement. And, you further acknowledge that you are not aware of, or that you have fully disclosed to the Company, any and all matters for which you are responsible or which have come to your attention as an employee of the Company that might give rise to, evidence, or support any claim of illegal conduct, regulatory violation, unlawful discrimination, or other cause of action against the Company.

(f) That these terms are final and binding on you.

(g) That you have signed this Agreement and release voluntarily, and not in reliance on any representations or statements made to you by any employee or officer of the Company or any of its subsidiaries.

6. This letter contains all the terms agreed upon between you and the Company regarding your employment and its termination, and except as specifically provided herein, supersedes all prior oral or written agreements, arrangements, and communications. This Agreement can only be amended in writing signed by you and the Company.

7. 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.

8. 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). You agree 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.

9. All payments to you under the Agreement are subject to applicable tax and other deductions required by law.

10. If any portion of this Agreement is found to be void, the remainder will continue in full force and effect.

Jeff, if this letter correctly sets forth our agreement, please sign and date the enclosed copy where indicated and return it to me. **You have 7 days from the date of your acceptance of this Agreement to revoke it (the "Revocation Period"); if you do not revoke it within the 7-day period, it will become effective.** Revocation must be made in writing and sent to Darden Restaurants, Inc., Attn: Matt Broad, 1000 Darden Center Drive, Orlando, FL 32837.

Sincerely,

/s/ Gene Lee

Gene Lee, Chief Executive Officer

PLEASE READ CAREFULLY. THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.

ACKNOWLEDGED AND AGREED

/s/ Jeffrey A. Davis Date 4/6/16

Jeffrey A. Davis

**DARDEN RESTAURANTS, INC.  
2015 OMNIBUS INCENTIVE PLAN**

**FY 20[ ] NONQUALIFIED STOCK OPTION AWARD AGREEMENT**

This Nonqualified Stock Option Award Agreement (the “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 a Nonqualified Stock Option grant during the Company’s fiscal year 20[ ]. This Agreement is effective as of the Grant Date communicated to you and set forth in the Company’s records.

The Company desires to provide you with an opportunity to purchase shares of Stock, as provided in this Agreement in order to carry out the purpose of the Company’s 2015 Omnibus 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. Grant of Option.

The Company hereby grants to you, effective as of the Grant Date, an Option to purchase all or any part of the aggregate number of shares of Stock communicated to you and set forth in the Company’s records, on the terms and conditions contained in such communication, this Agreement and the Plan. The Option is not intended to be an incentive stock option within the meaning of Section 422 of the Code.

2. Option Price.

The Option Price of the shares of Stock subject to the Option shall be the purchase price per share communicated to you and set forth in the Company’s records.

3. Term of Option and Exercisability.

The term of the Option shall be for a period of ten years from the Grant Date, terminating at the close of business on the expiration date communicated to you and set forth in the Company’s records (the “Expiration Date”) or such shorter period as is prescribed in Sections 4, 5 and 6 of this Agreement. The Option shall become exercisable, or vest, on [vesting schedule variable], subject to the terms and conditions of this Agreement including the clawback and forfeiture provisions under Section 5 and Section 6 below. To the extent the Option is exercisable, you may exercise it in whole or in part, at any time, or from time to time, prior to the termination of the Option.

4. Effect of Termination of Employment.

- (a) If you cease to be employed by the Company or an Affiliate, any portion of the Option that was not vested on the date of your termination of employment shall be forfeited and any portion of the Option that was vested on the date of your termination of employment may be exercised until the earlier of (x) the Expiration Date and (y) the date that is three months after the date of your termination of

employment. Notwithstanding the foregoing, the Option shall vest subject to the terms and conditions of this Agreement including the clawback and forfeiture provisions under Section 5 and Section 6 below: <sup>1</sup>

- (i) If, within two years after the date of a consummation of a Change in Control that occurs after the Grant Date, the Company terminates your employment for any reason other than for Cause (using the standard definition set forth in Section 2.8 of the Plan), death or Disability, or you terminate employment for Good Reason, the Option shall become immediately exercisable in full and the Option shall expire on the earlier of (i) the Expiration Date and (ii) the date that is five years after the date of your termination of employment.
- (ii) [If the Company or an Affiliate terminates your employment involuntarily and not for Cause (using the standard definition set forth in Section 2.8 of the Plan), and your combined age and years of service with the Company or an Affiliate (pursuant to the method for crediting service under the Darden Savings plan) equal at least 70, then (A) any portion of the Option that has not vested as of the date of your termination of employment shall vest on a pro rata basis and become immediately exercisable, based on the number of full months of employment completed from the Grant Date to the date of your termination of employment divided by the number of full months in the vesting period for any unvested portion of the Option, (B) any portion of the Option that has not vested pursuant to the foregoing provisions shall be forfeited and (C) any portion of the Option that has vested (including any portion of the Option that has vested pursuant to the foregoing provisions) may be exercised until the earlier of (x) the Expiration Date and (y) the date that is five years after the date of your termination of employment;]
- (iii) [If you Retire (as defined in Section 4(c) below) on or after age 65 with five years of service with the Company or an Affiliate (pursuant to the method for crediting service under the Darden Savings plan) (“Normal Retirement”), the Option shall become immediately exercisable in full and may be exercised until the Expiration Date;]
- (iv) [If you Retire (as defined in Section 4(c) below) on or after age 55 with ten years of service with the Company or an Affiliate (pursuant to the method for crediting service under the Darden Savings plan) but before Normal Retirement (“Early Retirement”), then (A) any portion of the Option that has not vested as of the date of your Early Retirement shall vest on a pro rata basis and become immediately exercisable, based on the number of full months of employment completed from the Grant Date to the date of your Early Retirement divided by the number of full months in the vesting period for any unvested portion of the Option, (B) any portion of the Option that has not vested pursuant to the foregoing provisions shall be forfeited and

<sup>1</sup> **Note to Draft** : The CEO has the flexibility, in his sole discretion, to include or exclude the Rule of 70 provision in Section 4(a)(ii). The intent is for the retirement provisions in Sections 4(a)(iii) and (iv) to be included in annual grants and to have the flexibility to include or exclude these provisions in off-cycle grants.

(C) any portion of the Option that has vested (including any portion of the Option that has vested pursuant to the foregoing provisions) may be exercised until the earlier of (x) the Expiration Date and (y) the date that is five years after the date of your Early Retirement;]

- (v) If you die while employed by the Company or an Affiliate, the Option shall become immediately exercisable in full and may be exercised until the earlier of (x) the Expiration Date and (y) the date that is five years after the date of your death. The Option may be exercised by your personal representative or the administrators of your estate or by any Person or Persons to whom the Option has been transferred by will or the Applicable Laws of descent and distribution; or
- (vi) If you become Disabled (as defined below) while employed by the Company or an Affiliate, the Option shall become immediately exercisable in full as of the Disability Date (as defined below) and may be exercised until the earlier of (x) the Expiration Date and (y) the date that is five years after the date on which the Committee administering the Plan makes the determination that you are Disabled (the "Disability Date"). The Option may be exercised by your personal representative. 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) For purposes of this Agreement, "Good Reason" means:

- (i) without your express written consent, (a) 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 the consummation of a Change in Control or (b) any other substantial adverse change in such position (including titles), authority or responsibilities; or
- (ii) a material reduction in your base salary, target annual bonus opportunity, long-term incentive opportunity or aggregate employee benefits as in effect immediately prior to the date of the consummation of a Change in Control, other than (a) an inadvertent failure remedied by the Company promptly after receipt of notice thereof given by you or (b) 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 Company generally.

You shall only have Good Reason if (A) you have provided notice of termination to the Company of any of the foregoing conditions within ninety (90) days of the initial existence of the condition, (B) the Company has been given at least thirty (30) days following receipt of such notice to cure such condition, and (C) if such condition is not cured within such thirty (30) day period, you actually terminate employment within sixty (60) days after the notice of termination. Your mental or physical incapacity following the occurrence of an event described above in clauses (i)

or (ii) shall not affect your ability to terminate employment for Good Reason and your death following delivery of a notice of termination for Good Reason shall not affect your estate's entitlement to accelerated vesting of the Option as provided hereunder upon a termination of employment for Good Reason.

(c) For purposes of this Agreement, "Retire" means that you voluntarily terminate your employment with the Company and its Affiliates after having attained a combination of age and years of service that meets the requirements of either Section 4(a)(iii) or Section 4(a)(iv) above and, prior to such employment termination, you have: (i) given the Company's Chief Human Relations Officer ("CHRO") or your immediate supervisor at least three months' prior written notice (or such shorter period of time approved in writing by the CHRO or your immediate supervisor) of your intended retirement date and (ii) completed transition duties and responsibilities as determined by the CHRO and/or your immediate supervisor during the notice period in a satisfactory manner, as reasonably determined by either of them. Notwithstanding the foregoing, you shall be deemed to Retire for purposes of this Section if your employment is involuntarily terminated by the Company without Cause after having met one of the age and service requirements set forth above, provided that you have timely completed transition duties and responsibilities as determined by the CHRO and/or your immediate supervisor, if any, in a satisfactory manner, as reasonably determined by either of them.

5. [ Restrictive Covenants. <sup>2</sup>

(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, including the Defend Trade Secrets Act of 2016), 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 (as defined below), (2) computer software, hardware, network and internet technology utilized, modified or enhanced by the Company or by you in furtherance of your 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

<sup>2</sup> **Note to Draft** : The restrictive covenants in Section 5 shall be included in grants to executive officers. The CEO shall have discretion whether or not to include these covenants in grants to other individuals.

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 (collectively, "Confidential Information"). "Business Opportunities" means all ideas, concepts or information received or developed (in whatever form) by you 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 your employment with the Company 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 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 (as defined below), 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 Section 5(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 with the Company 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 (as defined below) during the last two years of your employment with the Company, 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.

- (d) Non-Recruitment. You agree that during the course of your employment with the Company 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 provisions of this Section 5(d) 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 Section 5(c) above and this Section 5(d) shall be limited to apply only where you use or disclose 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 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. By accepting this Agreement, you specifically recognize and affirm that strict compliance with terms of the covenants set forth in this Section 5 is required in order to vest in the Option. You agree that should all or any part or application of this Section 5 be held or found invalid or unenforceable for any reason whatsoever by a court of competent jurisdiction in an action between you and the Company, you nevertheless shall not vest in any portion of the Option if you violated any of the terms of any of the covenants set forth in this Section 5.
- (f) Survival of Covenants. The provisions and restrictive covenants in this Section 5 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 5. 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 5, 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) Clawback and Forfeiture due to Violating Section 5. In the event that you violate any of the terms of this Section 5, you understand and agree that in addition to the Company's rights to obtain injunctive relief and damages for such violation, (i) you shall return to the Company any Shares that vested [on or after any such violation or pursuant to Section 4(a) of this Agreement] and any distributions with respect to such vested Shares (including any cash dividends or other distributions) received by you or your personal representative and pay to the Company in cash the amount of any proceeds received by you or your personal representative from the disposition or transfer of any such Shares, and (ii) the unexercised portion of your Option, whether vested or unvested, shall be immediately forfeited.]

6. Clawback and Forfeiture upon Financial Restatements.

Notwithstanding the provisions of Sections 3, 4 and 7 of this Agreement, if you are an executive officer (as defined under SEC rules) of the Company at any time after the Grant Date and (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 shares of Stock received by you or your personal representative from the exercise of the Option and pay to the Company in cash the amount of any proceeds received by you or your personal representative from the disposition or transfer of, and any dividends or other distributions of cash or property received by you or your personal representative with respect to, any shares of Stock received by you or your personal representative after exercising the Option, in each case 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, any portion of the Option that is not vested on the date that the Committee makes such determination shall be immediately and irrevocably forfeited and any portion of the Option that is vested on such date shall immediately cease to be exercisable and shall be immediately and irrevocably forfeited. Notwithstanding anything to the contrary in this Section 6, the Committee shall have the authority and discretion to make any determination regarding the specific implementation of this Section 6 with respect to you. In addition to this Section 6, this Option and

any rights to Stock or other property thereunder shall be fully subject to any “clawback” or compensation recovery policy that may later be adopted by the Company or imposed under Applicable Laws.

7. Method of Exercising Option.

- (a) Subject to the terms and conditions of this Agreement, you may exercise your Option by following the procedures established by the Company from time to time. In addition, you may exercise your Option by written notice to the Company as provided in Section 10 of this Agreement that states (i) your election to exercise the Option, (ii) the Grant Date of the Option, (iii) the Option Price of the shares of Stock subject to the Option, (iv) the number of shares of Stock as to which the Option is being exercised, (v) the manner of payment and (vi) the manner of payment for any income tax withholding amount. The notice shall be signed by you or the Person or Persons exercising the Option. The notice shall be accompanied by payment in full of the Option Price for all shares of Stock designated in the notice. To the extent that the Option is exercised after your death or the Disability Date, the notice of exercise shall also be accompanied by appropriate proof of the right of such Person or Persons to exercise the Option.
- (b) Payment of the Option Price shall be made to the Company through one or a combination of the following methods:
  - (i) cash, in United States currency (including check, draft, money order or wire transfer made payable to the Company);
  - (ii) delivery (either actual delivery or by attestation) of shares of Stock acquired by you having a Fair Market Value on the date of exercise equal to the Option Price. You shall represent and warrant in writing that you are the owner of the shares of Stock so delivered, free and clear of all liens, encumbrances, security interests and restrictions, and you shall duly endorse in blank all certificates delivered to the Company;
  - (iii) to the extent permitted by Applicable Laws and the Company, delivery (on a form acceptable to the Committee) of an irrevocable direction to a licensed securities broker acceptable to the Company to sell shares of Stock and to deliver all or part of the proceeds of such sale to the Company in payment of the Option Price; or
  - (iv) with the consent of the Company, by having the Company withhold the number of shares of Stock that would otherwise be issuable in an amount equal in value to the Option Price.

8. Taxes.

- (a) You acknowledge that you will consult with your personal tax adviser regarding the income tax consequences of exercising the Option or any other matters related to this Agreement. If you are employed by the Company or an Affiliate, 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 exercise of the Option by (i) delivering cash (including check, draft, money order or wire transfer made payable to the order of the Company), (ii) having the Company withhold a portion of the shares of Stock otherwise to be delivered upon exercise of the Option having a Fair Market Value equal to the amount of such taxes, or (iii) delivering to the Company shares of Stock having a Fair Market Value equal to the amount of such taxes. The Company will not deliver any fractional share of Stock but will pay, in lieu thereof, the Fair Market Value of such fractional share. Your election must be made on or before the date that the amount of tax to be withheld is determined. The maximum number of shares of Stock that may be withheld to satisfy any applicable tax withholding obligations arising from the exercise of the Option may not exceed such number of shares of Stock having a Fair Market Value equal to the minimum statutory amount required by the Company to be withheld and paid to any federal, state, or local taxing authority with respect to such exercise, or such greater amount as may be permitted under applicable accounting standards. If you do not make a tax withholding election under this Section 8(b), the Company shall withhold shares of Stock as provided in Section 8(b)(ii) above.

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 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 shares of Stock covered by the Option such that an adjustment 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 administering the Plan shall, in such manner as it may deem equitable, in its sole discretion, adjust any or all of the number and type of the shares covered by the Option and the Option Price of the Option.

10. 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.

- (b) No Rights as a Shareholder. Neither you nor your legal representatives shall have any of the rights and privileges of a shareholder of the Company with respect to the shares of Stock subject to the Option unless and until such shares are issued upon exercise of the Option.
- (c) 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. In addition, the Company or an Affiliate 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.
- (d) Option Not Transferable. Except as otherwise provided by the Plan or by the Committee administering the Plan, the Option shall not be transferable other than by will or by the laws of descent and distribution and the Option shall be exercisable during your lifetime only by you or, if permissible under Applicable Law, by your guardian or legal representative. The Option may not be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance of the Option shall be void and unenforceable against the Company or any Affiliate.
- (e) Reservation of Shares. The Company shall at all times during the term of the Option reserve and keep available such number of shares of Stock as will be sufficient to satisfy the requirements of this Agreement.
- (f) Securities Matters. The Company shall not be required to deliver any shares of 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.
- (g) 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.
- (h) Arbitration. [Except for injunctive relief as set forth herein,]<sup>3</sup> 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.
- (i) 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). Subject to Section 10(h) hereof, you agree 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

<sup>3</sup> **Note to Draft** : This language only to be included in Agreements that contain the restrictive covenants in Section 5.

exclusive jurisdiction and venue of the federal and state courts sitting in Orange County, Florida.

- (j) 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

- (k) Offset. Any severance or other payments or benefits to you under the Company's plans and agreements may be reduced, in the Company's discretion, by any amounts that you owe the Company under Section 5 or Section 6 of this Agreement, provided that any such offset occurs at a time so that it does not violate Section 409A of the Code and is permitted under Applicable Laws.
- (l) Award Agreement and Related Documents. This Nonqualified Stock Option Award 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 Nonqualified Stock Option grant. [You are not required to execute this Agreement, but you will have 60 days from the Grant Date to notify the Company of any issues regarding the terms and conditions of this Agreement; otherwise, you will be deemed to agree with them. **OR YOU MUST REVIEW AND ACKNOWLEDGE ACCEPTANCE OF THE TERMS OF THIS AGREEMENT, INCLUDING SPECIFICALLY THE RESTRICTIVE COVENANTS, THE CLAWBACK AND FORFEITURE PROVISIONS UNDER SECTION 5 AND SECTION 6 OF THIS AGREEMENT AND THE COMPANY'S OFFSET RIGHTS, 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 STOCK OPTION GRANT.**] <sup>4</sup> In connection with your Nonqualified Stock Option grant and this 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.

<sup>4</sup>**Note to Draft** : Active acceptance of the Agreement only to be included in Agreements that contain the restrictive covenants in Section 5.

**DARDEN RESTAURANTS, INC.  
2015 OMNIBUS INCENTIVE PLAN**

**FY 20[ ] PERFORMANCE STOCK UNIT AWARD AGREEMENT  
(United States)**

This Performance Stock Unit Award Agreement (the “Agreement”) is between Darden Restaurants, Inc., a Florida corporation (the “Company”), and you, a person notified by the Company, and identified in the Company’s records, as the recipient of an Award of performance-based Restricted Stock Units (“Performance Stock Units”) during the Company’s fiscal year 20[ ]. This Agreement is effective as of the Grant Date communicated to you and set forth in the Company’s records.

The Company wishes to award to you Performance Stock Units representing the opportunity to earn shares of Stock, subject to the terms and conditions set forth in this Agreement, in order to carry out the purpose of the Company’s 2015 Omnibus 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 Performance Stock Units communicated to you and set forth in the Company’s records (the “PSUs”), on the terms and conditions set forth in such communication, this Agreement and the Plan. Each PSU represents the right to receive one share of Stock, subject to the terms and conditions set forth herein.

2. Rights with Respect to the PSUs.

The PSUs granted hereunder do not and shall not give you any of the rights and privileges of a shareholder of Stock. Your rights with respect to the PSUs 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 PSUs lapse, in accordance with Sections 3 or 4 hereof. Your right to receive cash payments and other distributions with respect to the PSUs is more particularly described in Sections 7(b) and (c) hereof.

3. Vesting.

(a) Subject to the terms and conditions of this Agreement, including the clawback and forfeiture provisions under Section 6 and Section 11 below, the Earned PSUs (as defined below), if any, shall vest, and the restrictions with respect to the PSUs shall lapse, on the dates and in the amounts set forth in this Agreement if you remain continuously employed by the Company or an Affiliate until the date you become vested in accordance with the terms and conditions of this Agreement.

(b) The number of PSUs that shall become earned, if any (the “Earned PSUs”), following the end of the period commencing on [ ] (the “Commencement Date”)

and ending on [ \_\_\_\_\_ ] (the “Performance Period”) shall be determined by multiplying the PSUs by the Earned Percentage, calculated as set forth in Exhibit A to this Agreement, and may range from zero to one hundred fifty percent (150%) of the PSUs.

(c) The Earned PSUs, if any, shall vest as follows: (i) fifty percent (50%) shall vest on the third anniversary of the Grant Date, and (ii) fifty percent (50%) shall vest on the fourth anniversary of the Grant Date (the “End Date”).

(d) The calculations under this Section 3 shall be made by the Committee following the end of the Performance Period and any vesting resulting from such calculations shall be effective as of the applicable vesting date. Any PSUs that do not vest on a vesting date pursuant to the terms of Section 3 or 4 shall be immediately and irrevocably forfeited, including the right to receive cash payments and other distributions pursuant to Sections 7(b) and (c) hereof, as of such 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. Forfeiture; Early Vesting.

If you cease to be employed by the Company or an Affiliate prior to the vesting or forfeiture of the PSUs pursuant to Section 3 hereof, your rights to all of the PSUs shall be immediately and irrevocably forfeited, including the right to receive cash payments and other distributions pursuant to Sections 7(b) and (c) hereof. Notwithstanding the foregoing, the PSUs shall vest subject to the terms and conditions of this Agreement, including the clawback and forfeiture provisions under Section 6 and Section 11 below:<sup>1</sup>

(a) If, within two years after the date of the consummation of a Change in Control that occurs after the Grant Date, the Company terminates your employment for any reason other than for Cause (using the standard definition set forth in Section 2.8 of the Plan), death or Disability, or you terminate employment for Good Reason, the Earned Percentage shall be deemed to be one hundred percent (100%) and you shall become immediately and unconditionally vested in all of the Earned PSUs. If you are a person otherwise described in either (i) Sections 4(b) or 4(c) due to having Retired (as defined in Section 4(h) below), (ii) Section 4(d) due to having had an Involuntary Termination (as defined in Section 4(d) below) or (iii) Section 4(f) due to becoming Disabled (as defined in Section 4(f) below), in each case within two years after the date of a Change in Control that occurs after the Grant Date, then you shall be entitled to vested PSUs and Earned Percentage as described in this Section 4(a).

<sup>1</sup> **Note to Draft** : The intent is for the retirement provisions in Sections 4(b) and (c) to be included in annual grants and to have the flexibility to include or exclude these provisions in off-cycle grants. The CEO has the flexibility, in his sole discretion, to include or exclude the Rule of 70 provision in Section 4(d).

(b) [Except as otherwise provided in Section 4(a) above, if you Retire (as defined under Section 4(h) below) on or after age 65 with five years of service with the Company or an Affiliate (pursuant to the method for crediting service under the Darden Savings Plan) (“Normal Retirement”) prior to the vesting or forfeiture of the PSUs pursuant to Section 3 hereof, then the number of PSUs that become earned shall be determined at the end of the Performance Period in accordance with Section 3(b) hereof, and the Earned PSUs, if any, shall become fully vested (x) as of the last day of the Performance Period if you retire on or prior to the third anniversary of the Grant Date or (y) as of the date of your Normal Retirement if you retire after the third anniversary of the Grant Date.]

(c) [Except as otherwise provided in Section 4(a) above, if you Retire on or after age 55 with ten years of service with the Company or an Affiliate (pursuant to the method for crediting service under the Darden Savings Plan) but before Normal Retirement (“Early Retirement”) prior to the vesting or forfeiture of the PSUs pursuant to Section 3 hereof, then the number of PSUs that become earned shall be determined at the end of the Performance Period in accordance with Section 3(b) hereof, and the Earned PSUs, if any, shall become vested (x) as of the last day of the Performance Period if you retire on or prior to the third anniversary of the Grant Date, or (y) as of the date of your Early Retirement if you retire after the third anniversary of the Grant Date, in each case on a pro rata basis, determined based on the number of full months of employment completed from the Commencement Date to the date of your Early Retirement divided by the number of full months during the period commencing on the Commencement Date and ending on the End Date.]

(d) [Except as otherwise provided in Section 4(a) above, if your age and service with the Company or an Affiliate (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 PSUs pursuant to Section 3 hereof, then the number of PSUs that become earned shall be determined at the end of the Performance Period in accordance with Section 3(b) hereof, and the Earned PSUs, if any, shall become vested (x) as of the last day of the Performance Period if your Involuntary Termination occurs on or prior to the third anniversary of the Grant Date, or (y) as of the date of your Involuntary Termination if such termination occurs after the third anniversary of the Grant Date, in each case on a pro rata basis, determined based on the number of full months of employment completed from the Commencement Date to the date of your Involuntary Termination divided by the number of full months during the period commencing on the Commencement Date and ending on the End Date.]

(e) If you die prior to the vesting or forfeiture of the PSUs pursuant to Section 3, the Earned Percentage shall be deemed to be one hundred percent (100%) and you shall become immediately and unconditionally vested in all of the Earned PSUs as of the date of your death.

(f) Except as otherwise provided in Section 4(a) above, if you become Disabled (as defined below) prior to the vesting or forfeiture of the PSUs pursuant to Section 3 hereof, then the number of PSUs that become earned shall be determined at the end of the Performance Period in accordance with Section 3(b) hereof, and the Earned PSUs, if any, shall become vested (x) as of the last day of the Performance Period if you become Disabled on or prior to the third anniversary of the Grant Date, or (y) as of the date on which you become Disabled if such date occurs after the third anniversary of the Grant Date, in each case on a pro rata basis, determined based on the number of full months of employment completed from the Commencement Date to the date on which the Committee administering the Plan makes the determination that you are Disabled divided by the number of full months during the period commencing on the Commencement Date and ending on the End Date. 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.

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

(i) without your express written consent, (a) 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 the consummation of a Change in Control or (b) any other substantial adverse change in such position (including titles), authority or responsibilities; or

(ii) a material reduction in your base salary, target annual bonus opportunity, long-term incentive opportunity or aggregate employee benefits as in effect immediately prior to the date of the consummation of a Change in Control, other than (a) an inadvertent failure remedied by the Company promptly after receipt of notice thereof given by you or (b) 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 Company generally.

You shall only have Good Reason if (A) you have provided notice of termination to the Company of any of the foregoing conditions within ninety (90) days of the initial existence of the condition, (B) the Company has been given at least thirty (30) days following receipt of such notice to cure such condition, and (C) if such condition is not cured within such thirty (30) day period, you actually terminate employment within sixty (60) days after the notice of termination. Your mental or physical incapacity following the occurrence of an event described above in clauses (i) or (ii) shall not affect your ability to terminate employment for Good Reason and your death following delivery of a notice of termination for Good Reason shall not affect your estate’s entitlement to settlement of the PSUs as provided hereunder upon a termination of employment for Good Reason.

(h) For purposes of this Agreement, “Retire” means that you voluntarily terminate your employment with the Company and its Affiliates after having attained a combination of age and years of service that meets the requirements of either Section 4(b) or Section 4(c) above and, prior to such employment termination, you have: (i) given the Company’s Chief Human Relations Officer (“CHRO”) or your immediate supervisor at least three months’ prior written notice (or such shorter period of time approved in writing by the CHRO or your immediate supervisor) of your intended retirement date and (ii) completed transition duties and responsibilities as determined by the CHRO and/or your immediate supervisor during the notice period in a satisfactory manner, as reasonably determined by either of them. Notwithstanding the foregoing, you shall be deemed to Retire for purposes of this Section if your employment is involuntarily terminated by the Company without Cause after having met one of the age and service requirements set forth above, provided that you have timely completed transition duties and responsibilities as determined by the CHRO and/or your immediate supervisor, if any, in a satisfactory manner, as reasonably determined by either of them.

5. Restriction on Transfer.

Except as contemplated by Section 7(a), none of the PSUs may be sold, assigned, transferred, pledged, attached or otherwise encumbered, and no attempt to transfer the PSUs, 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 PSUs.

6. Clawback and Forfeiture upon Financial Restatements.

Notwithstanding the provisions of Sections 3, 5 and 7 of this Agreement, if you are an executive officer (as defined under SEC rules) of the Company at any time after the Grant Date and (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, repay to the Company any shares of Stock, cash payments or other property received by you or your personal representative pursuant to Sections 7(b) and (c) of this Agreement, return to the Company any shares of Stock received by you or your personal representative from the payment of the PSUs pursuant to Section 7 of this Agreement and pay to the Company in cash the amount of any proceeds received by you or your personal representative from the disposition or transfer of, and any dividends and other distributions of cash or property received by you or your personal representative with respect to, any shares of Stock received by you or your personal representative from the payment of the PSUs pursuant to Section 7 of this Agreement, in each case 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 PSUs that are not vested on the date that the Committee makes such determination shall be immediately and irrevocably forfeited, including the right to receive cash payments and other distributions on such PSUs pursuant to Sections 7(b) and (c) of this Agreement. Notwithstanding anything to the contrary in this Section 6, the Committee shall have the authority and discretion to make any determination regarding the specific implementation of this Section 6

with respect to you. In addition to this Section 6, the PSUs and any rights to Stock or other property thereunder shall be fully subject to any “clawback” or compensation recovery policy that may later be adopted by the Company or imposed under Applicable Laws.

7. Settlement of PSUs; Issuance of Stock.

(a) No shares of Stock shall be issued to you (or your beneficiary or, if none, your estate in the event of your death) prior to the date on which the applicable PSUs vest, in accordance with the terms and conditions set forth in this Agreement.

(i) Except as otherwise provided in this Section 7(a), the Company shall promptly following the third anniversary of the Grant Date or the fourth anniversary of the Grant Date, as applicable, but no later than the 15<sup>th</sup> day of the third month following the end of the Company’s taxable year that includes the third anniversary of the Grant Date or the fourth anniversary of the Grant Date, as applicable, with respect to PSUs that vest pursuant to Section 3(c) hereof, subject to any applicable withholding taxes pursuant to Section 10 hereof, cause the shares of Stock underlying your vested PSUs (as adjusted by the applicable Earned Percentage) to be delivered in such a manner as the Committee, in its sole discretion, deems appropriate, including by book-entry or direct registration (including transaction advices) or in the form of a stock certificate or certificates, registered in your name.

(ii) In the event that your employment terminates in accordance with the provisions of Sections 4(a) or 4(e) hereof, the Company shall promptly following the date on which your employment with the Company terminates, but no later than the 15th day of the third month following the end of the Company’s taxable year that includes the date on which your employment with the Company terminates, with respect to PSUs that vest pursuant to Sections 4(a) or 4(e) hereof, subject to any applicable withholding taxes pursuant to Section 10 hereof, cause the shares of Stock underlying your vested PSUs (as adjusted by the applicable Earned Percentage) to be delivered in such a manner as the Committee, in its sole discretion, deems appropriate, including by book-entry or direct registration (including transaction advices) or in the form of a stock certificate or certificates, registered in your name or in the names of your legal representatives, beneficiaries or heirs, as the case may be.

(iii) In the event that your employment terminates in accordance with the provisions of Section 4(d) hereof and is not described in Section 7(a)(ii) above, the Company shall (x) promptly following the last day of the Performance Period, but no later than the 15th day of the third month following the end of the Company’s taxable year that includes the last day of the Performance Period, with respect to PSUs that vest pursuant to Section 4(d) hereof on account of your termination of employment with the Company on or prior to the third anniversary of the Grant Date, or (y) promptly following the date on which your employment with the Company terminates, but no later than the

15<sup>th</sup> day of the third month following the end of the Company's taxable year that includes the date on which your employment with the Company terminates, with respect to PSUs that vest pursuant to Section 4(d) hereof on account of your termination of employment with the Company after the third anniversary of the Grant Date, and, in each case, subject to any applicable withholding taxes pursuant to Section 10 hereof, cause the shares of Stock underlying your vested PSUs (as adjusted by the applicable Earned Percentage) to be delivered in such a manner as the Committee, in its sole discretion, deems appropriate, including by book-entry or direct registration (including transaction advices) or in the form of a stock certificate or certificates, registered in your name or in the names of your legal representatives, beneficiaries or heirs, as the case may be.

(iv) In the event that your employment terminates in accordance with the provisions of Sections 4(b), 4(c) or 4(f) hereof and is not described in Section 7(a)(ii) above, the Company shall (x) promptly following the last day of the Performance Period, but no later than the 15<sup>th</sup> day of the third month following the end of the Company's taxable year that includes the last day of the Performance Period, with respect to PSUs that vest pursuant to Sections 4(b), 4(c) or 4(f) hereof on account of your termination of employment with the Company on or prior to the third anniversary of the Grant Date, or (y) during the month of August of the calendar year in which the fourth anniversary of the Grant Date occurs, with respect to PSUs that vest pursuant to Sections 4(b), 4(c) or 4(f) hereof on account of your eligibility for retirement or termination of employment with the Company after the third anniversary of the Grant Date, and, in each case, subject to any applicable withholding taxes pursuant to Section 10 hereof, cause the shares of Stock underlying your vested PSUs (as adjusted by the applicable Earned Percentage) to be delivered in such a manner as the Committee, in its sole discretion, deems appropriate, including by book-entry or direct registration (including transaction advices) or in the form of a stock certificate or certificates, registered in your name or in the names of your legal representatives, beneficiaries or heirs, as the case may be.

Notwithstanding the foregoing, any distribution (including any distribution of amounts otherwise described in Sections 7(b) and (c) below) 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), that constitutes "deferred compensation" under Code Section 409A and is on account of such employee's "separation from service" (within the meaning of Code Section 409A) shall be made as soon as reasonably 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) as required to comply with Code Section 409A. The Company will not deliver any fractional share of Stock but will pay, in lieu thereof, the Fair Market Value of such fractional share of Stock relating to any vested PSU. In the event of your death after your retirement or termination of employment and before payment, the number of shares of Stock otherwise deliverable and the amount otherwise payable under this Section 7(a) shall be delivered or paid, as applicable, to your beneficiary or, if none, your estate as soon as

practicable after your death. No transfer by will or the Applicable Laws of descent and distribution of any PSUs 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.

(b) On each date on which shares of Stock under Section 7(a) are delivered to you (or your beneficiary or, if none, your estate in the event of your death), the Company shall also deliver to you (or your beneficiary or, if none, your estate in the event of your death) the number of additional shares of Stock, the number of any other securities of the Company and the value or actual issuance of any other property (in each case as determined by the Committee) (except for cash dividends and other cash distributions), in each case that the Company would have distributed to you during the period commencing on the Grant Date and ending on the applicable vesting date in respect of the shares of Stock that are being delivered to you under Section 7(a) had such shares been issued to you on the Grant Date, without interest, and less any tax withholding amount applicable to such distribution. To the extent that the PSUs are forfeited prior to vesting, the right to receive such distributions shall also be forfeited.

(c) On each date on which shares of Stock under Section 7(a) are delivered to you (or your beneficiary or, if none, your estate in the event of your death), the Company shall also deliver to you (or your beneficiary or, if none, your estate in the event of your death) the number of shares of Stock having an aggregate Fair Market Value (as determined by the Committee) equal to the aggregate amount of cash dividends and other cash distributions that the Company would have paid to you during the period commencing on the Grant Date and ending on the applicable vesting date in respect of the shares of Stock that are being delivered to you under Section 7(a) had such shares been issued to you on the Grant Date, without interest, and less any applicable withholding taxes. To the extent that the PSUs are forfeited prior to vesting, the right to receive such shares of Stock shall also be forfeited.

#### 8. Lock-Up Period.

Notwithstanding anything to the contrary contained herein, you shall not sell or otherwise transfer any shares of Stock that are delivered to you under Section 7 hereof (less any applicable withholding taxes) in respect of any Earned PSUs that become vested on the third anniversary of the Grant Date in accordance with Section 3(c) hereof for a period of one year following the third anniversary of the Grant Date (the "Lock-Up Period"); provided, however, that if your employment with the Company terminates for any reason during the Lock-Up Period, then the Lock-Up Period with respect to such shares of Stock shall end on the date of your termination of employment.

#### 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 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 Stock such that an adjustment of the PSUs 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 PSUs.

10. Taxes.

(a) You acknowledge that you will consult with your personal tax advisor regarding the income tax consequences of the grant of the PSUs, the receipt of cash payments or other distributions pursuant to Section 7 hereof, the vesting of the PSUs and the receipt of shares of Stock upon the settlement of the PSUs, 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 PSUs and the corresponding receipt of shares of Stock and cash payments by (i) delivering cash (including check, draft, money order or wire transfer made payable to the order of the Company), (ii) having the Company withhold a portion of the shares of Stock or cash otherwise to be delivered or paid having a Fair Market Value equal to the minimum statutory withholding amount or such greater amount as may be permitted under applicable accounting standards, or (iii) delivering to the Company shares of Stock having a Fair Market Value equal to the amount of such taxes. Your election must be made on or before the date that the amount of tax to be withheld is determined. The maximum number of shares of Stock that may be withheld to satisfy any applicable tax withholding obligations arising from the vesting and settlement of the PSUs may not exceed such number of shares of Stock having a Fair Market Value equal to the minimum statutory amount required by the Company to be withheld and paid to any federal, state, or local taxing authority with respect to such vesting and settlement of the PSUs, or such greater amount as may be permitted under applicable accounting standards. If you do not make a tax withholding election under this Section 10(b), the Company shall withhold shares of Stock as provided in Section 10(b)(ii) above.

11. [ Restrictive Covenants. <sup>2</sup>

<sup>2</sup> **Note to Draft** : The restrictive covenants in Section 11 shall be included in grants to executive officers. The CEO shall have discretion whether or not to include these covenants in grants to other individuals.

(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, including the Defend Trade Secrets Act of 2016) 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 (as defined below), (2) computer software, hardware, network and internet technology utilized, modified or enhanced by the Company or by you in furtherance of your 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 (collectively, "Confidential Information"). "Business Opportunities" means all ideas, concepts or information received or developed (in whatever form) by you 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 your employment with the Company 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 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 (as defined below), 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 this Section 11(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 with the Company 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 (as defined below) during the last two years of your employment with the Company, 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.

(d) Non-Recruitment. You agree that during the course of your employment with the Company 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 provisions of this Section 11(d) 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 Section 11(c) above and this Section 11(d) shall be limited to apply only where you use or disclose 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, goodwill, 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, goodwill, business relationships, employees, economic advantages, and/or other legitimate business interests. You acknowledge that the consideration, including this 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. By accepting this Agreement, you specifically recognize and affirm that strict compliance with terms of the covenants set forth in this Section 11 is required in order to vest in the PSUs and receive any Earned Shares. You agree that should all or any part or application of this Section 11 be held or found invalid or unenforceable for any reason whatsoever by a court of competent jurisdiction in an action between you and the Company, you nevertheless shall not vest in any PSUs nor receive any of shares of Stock if you violated any of the terms of any of the covenants set forth in this Section 11.

(f) Survival of Covenants. The provisions and restrictive covenants in this Section 11 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 11. 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 11, 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) Clawback and Forfeiture due to Violating Section 11. In the event that you violate any of the terms of this Section 11, you understand and agree that in addition to the Company's rights to obtain injunctive relief and damages for such violation, (i) you shall return to the Company any shares of Stock received by you or your personal representative from the payment of any PSUs that vested [on or after any such violation or pursuant to Section 4 of this Agreement] and pay to the Company in cash the amount of any proceeds received by you or your personal representative from the disposition or transfer of any such PSUs, and (ii) your unvested PSUs shall be immediately and irrevocably forfeited.]

## 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. In addition, the Company or an Affiliate 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 PSUs reserve and keep available such number of shares of 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 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,]<sup>3</sup> 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). Subject to Section 12(f) hereof, you agree 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:

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<sup>3</sup> **Note to Draft** : This language only to be included in Agreements that contain the restrictive covenants in Section 11.

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

(i) Offset. Any severance or other payment or benefits to you under the Company's plans and agreements may be reduced in the Company's discretion, by any amounts that you owe the Company under Section 6 or Section 11 of this Agreement, provided that any such offset occurs at a time so that it does not violate Section 409A of the Code and is permitted under Applicable Laws.

(j) Award Agreement and Related Documents. This PSU 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 PSU grant. [You are not required to execute this Agreement, but you will have 60 days from the Grant Date to notify the Company of any issues regarding the terms and conditions of this Agreement; otherwise, you will be deemed to agree with them. **OR YOU MUST REVIEW AND ACKNOWLEDGE ACCEPTANCE OF THE TERMS OF THIS AGREEMENT, INCLUDING SPECIFICALLY THE RESTRICTIVE COVENANTS, THE CLAWBACK AND FORFEITURE PROVISIONS UNDER SECTION 6 AND SECTION 11 OF THIS AGREEMENT AND THE COMPANY'S OFFSET PROVISIONS, 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 PSU GRANT.** ] <sup>4</sup> In connection with your PSU grant and this 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.

<sup>4</sup> **Note to Draft** : Active acceptance of the Agreement only to be included in Agreements that contain the restrictive covenants in Section 11.

**FY16 PERFORMANCE STOCK UNIT AWARD AGREEMENT – EXHIBIT A**

**PERFORMANCE CRITERIA**

**DARDEN RESTAURANTS, INC.  
2015 OMNIBUS INCENTIVE PLAN**

**FY 2016 RESTRICTED STOCK UNIT AWARD AGREEMENT  
(United States)**

This Restricted Stock Unit Award Agreement (the “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 Restricted Stock Units during the Company’s fiscal year 2016. This Agreement is effective as of the Grant Date communicated to you and set forth in the Company’s records.

The Company wishes to award to you a number of Restricted Stock Units, subject to certain restrictions as provided in this Agreement, in order to carry out the purpose of the Company’s 2015 Omnibus 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 Restricted Stock Units.

The Company hereby grants to you, effective as of the Grant Date, an Award of Restricted Stock Units for that number of Restricted Stock Units communicated to you and set forth in the Company’s records (the “RSUs”), on the terms and conditions set forth in such communications, this Agreement and the Plan. Each RSU represents the right to receive, on the vesting date or dates set forth in Sections 3 and 4 hereof, one share of Stock.

2. Rights with Respect to the RSUs.

The RSUs granted hereunder do not and shall not give you any of the rights and privileges of a shareholder of Stock. Your rights with respect to the RSUs 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 RSUs lapse, in accordance with Sections 3 or 4 hereof. Your right to receive cash payments and other distributions with respect to the RSUs is more particularly described in Sections 7(b) and (c) hereof.

3. Vesting.

Subject to the terms and conditions of this Agreement, the RSUs shall vest, and the restrictions with respect to the RSUs shall lapse, 100% on the third anniversary of the Grant Date if you remain continuously employed by the Company or an Affiliate until the respective vesting dates.

4. Early Vesting; Forfeiture.

If you cease to be employed by the Company or an Affiliate prior to the vesting of the RSUs pursuant to Section 3 hereof, your rights to all of the unvested RSUs shall be immediately

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and irrevocably forfeited, including the right to receive cash payments and other distributions pursuant to Sections 7(b) and (c) hereof, except that:

(a) If, within two years after the date of the consummation of a Change in Control that occurs after the Grant Date, the Company terminates your employment for any reason other than for Cause, death or Disability, or you terminate employment for Good Reason, you shall become immediately and unconditionally vested in all RSUs and the restrictions with respect to all of the RSUs shall lapse.

(b) If (i) the Company or an Affiliate terminates your employment involuntarily and not for Cause prior to the vesting of the RSUs pursuant to Section 3 hereof, (ii) your combined age and years of service with the Company or an Affiliate (pursuant to the method for crediting service under the Darden Savings Plan) equal at least 70 and (iii) you were not designated as an officer-level employee in the Company payroll system with the Peoplesoft identifier "OFC" or its equivalent on the Grant Date, then the RSUs will vest on a pro rata basis on the date of your termination of employment, based on the number of full months of employment completed from the Grant Date to the date of your termination of employment divided by the number of full months in the vesting period for any unvested RSUs, and your rights to all of the unvested RSUs shall be immediately and irrevocably forfeited;

(c) If you retire on or after age 65 with five years of service with the Company or an Affiliate (pursuant to the method for crediting service under the Darden Savings Plan) ("Normal Retirement") prior to the vesting of the RSUs pursuant to Section 3 hereof, you shall become immediately and unconditionally vested in all RSUs and the restrictions with respect to all RSUs shall lapse on the date of your Normal Retirement;

(d) If you retire on or after age 55 with ten years of service with the Company or an Affiliate (pursuant to the method for crediting service under the Darden Savings Plan) but before Normal Retirement ("Early Retirement") and you were not designated as an officer-level employee in the Company payroll system with the Peoplesoft identifier "OFC" or its equivalent on the Grant Date, the RSUs will vest on a pro rata basis on the date of your Early Retirement, based on the number of full months of employment completed from the Grant Date to the date of your Early Retirement divided by the number of full months in the vesting period for any unvested RSUs, and your rights to all of the unvested RSUs shall be immediately and irrevocably forfeited;

(e) If you die prior to the vesting of the RSUs pursuant to Section 3 hereof, you shall become immediately and unconditionally vested in all RSUs and the restrictions with respect to all RSUs shall lapse on the date of your death. No transfer by will or the Applicable Laws of descent and distribution of any RSUs 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; or

(f) If you become Disabled (as defined below) prior to the vesting of the RSUs pursuant to Section 3 hereof, you shall become immediately and unconditionally vested in all RSUs and the restrictions with respect to all RSUs shall lapse on the date on which the Committee administering the Plan makes the determination that you are Disabled. 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. If you have met the age and service conditions set forth in Sections 4(c) or 5(d) at the time of becoming Disabled, then such disability shall only accelerate the payment of (and the lapse of restrictions with respect to) RSUs which are no longer subject to a substantial risk of forfeiture if the disability constitutes a “disability” within the meaning of Code Section 409A (and the guidance issued thereunder) (a “Section 409A Disability”). If the disability does not qualify as a Section 409A Disability, and you have met the foregoing age and service conditions, this Section 4(f) shall not apply to you and the RSUs shall be paid (and the restrictions with respect thereto shall lapse) at the time otherwise provided for under this Agreement.

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

(i) without your express written consent, (a) 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 the consummation of a Change in Control or (b) any other substantial adverse change in such position (including titles), authority or responsibilities; or

(ii) a material reduction in your base salary, target annual bonus opportunity, long-term incentive opportunity or aggregate employee benefits as in effect immediately prior to the date of the consummation of a Change in Control, other than (a) an inadvertent failure remedied by the Company promptly after receipt of notice thereof given by you or (b) 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 Company generally.

You shall only have Good Reason if (A) you have provided notice of termination to the Company of any of the foregoing conditions within ninety (90) days of the initial existence of the condition, (B) the Company has been given at least thirty (30) days following receipt of such notice to cure such condition, and (C) if such condition is not cured within such thirty (30) day period, you actually terminate employment within sixty (60) days after the notice of termination. Your mental or physical incapacity following the occurrence of an event described above in clauses (i) or (ii) shall not affect your ability to terminate employment for Good Reason and your death following delivery of a notice of termination for Good Reason shall not affect your estate’s entitlement to settlement of the RSUs as provided hereunder upon a termination of employment for Good Reason.

5. Restriction on Transfer.

Except as contemplated by Section 4(e) hereof, none of the RSUs may be sold, assigned, transferred, pledged, attached or otherwise encumbered, and no attempt to transfer the RSUs, 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 RSUs.

6. Financial Restatements.

This Section 6 only applies to you if at any time you were or are designated as an executive officer of the Company. Notwithstanding the provisions of Sections 3, 4 and 7 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, repay to the Company any shares of Stock, cash payments or other property received by you or your personal representative pursuant to Sections 7(b) and (c) of this Agreement, return to the Company any shares of Stock received by you or your personal representative from the payment of the RSUs pursuant to Section 7 of this Agreement and pay to the Company in cash the amount of any proceeds received by you or your personal representative from the disposition or transfer of, and any dividends and other distributions of cash or property received by you or your personal representative with respect to, any shares of Stock received by you or your personal representative from the payment of the RSUs pursuant to Section 7 of this Agreement, in each case 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 RSUs that are not vested on the date that the Committee makes such determination shall be immediately and irrevocably forfeited, including the right to receive cash payments and other distributions on such RSUs pursuant to Sections 7(b) and (c) of this Agreement. Notwithstanding anything to the contrary in this Section 6, the Committee shall have the authority and discretion to make any determination regarding the specific implementation of this Section 6 with respect to you.

7. Payment of RSUs; Issuance of Stock.

(a) No shares of Stock shall be issued to you (or your beneficiary or, if none, your estate in the event of your death) prior to the date on which the applicable RSUs vest, in accordance with the terms and conditions communicated to you and set forth in the Company's records. After any RSUs vest pursuant to Sections 3 or 4 hereof, the Company shall promptly, but no later than 30 days following the applicable vesting date, cause to be issued in your name one share of Stock for each RSU and pay to you any accumulated distributions pursuant to Sections 7(b) and (c) hereof, in each case less any applicable withholding taxes; provided, however, that any distribution (including any distribution of amounts otherwise described in Sections 7(b) and (c) below) 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) on account of a separation from service 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). The Company will not deliver any fractional share of Stock but will pay, in lieu thereof, the Fair Market Value of such fractional share of Stock.

(b) On each date on which shares of Stock under Section 7(a) are delivered to you (or your beneficiary or, if none, your estate in the event of your death), the Company shall also deliver to you (or your beneficiary or, if none, your estate in the event of your death) the number of additional shares of Stock, the number of any other securities of the Company and the value or actual issuance of any other property (in each case as determined by the Committee) (except for cash dividends and other cash distributions), in each case that the Company would have distributed to you during the period commencing on the Grant Date and ending on the applicable vesting date in respect of the shares of Stock that are being delivered to you under Section 7(a) had such shares been issued to you on the Grant Date, without interest, and less any tax withholding amount applicable to such distribution. To the extent that the RSUs are forfeited prior to vesting, the right to receive such distributions shall also be forfeited.

(c) On each date on which shares of Stock under Section 7(a) are delivered to you (or your beneficiary or, if none, your estate in the event of your death), the Company shall make a cash payment to you (or your beneficiary or, if none, your estate in the event of your death) equal to the aggregate amount of cash dividends and other cash distributions that the Company would have paid to you during the period commencing on the Grant Date and ending on the applicable vesting date in respect of the shares of Stock that are being delivered to you under Section 7(a) had such shares been issued to you on the Grant Date, without interest, and less any applicable withholding taxes. To the extent that the RSUs are forfeited prior to vesting, the right to receive such cash payment shall also be forfeited.

#### 8. 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 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 Stock such that an adjustment of the RSUs 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 RSUs.

#### 9. Taxes.

(a) You acknowledge that you will consult with your personal tax advisor regarding the income tax consequences of the grant of the RSUs, the receipt of cash payments and other distributions pursuant to Sections 7(b) and (c) hereof, the vesting of

the RSUs and the receipt of shares of Stock upon the vesting of the RSUs, 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 RSUs and the corresponding receipt of shares of Stock and cash payments by (i) delivering cash (including check, draft, money order or wire transfer made payable to the order of the Company),

(i) having the Company withhold a portion of the shares of Stock or cash otherwise to be delivered having a Fair Market Value equal to the amount of such taxes, or

(ii) delivering to the Company shares of Stock having a Fair Market Value equal to the amount of such taxes. The Company will not deliver any fractional share of Stock but will pay, in lieu thereof, the Fair Market Value of such fractional share of Stock. Your election must be made on or before the date that the amount of tax to be withheld is determined. The maximum number of shares of Stock that may be withheld to satisfy any applicable tax withholding obligations arising from the vesting and settlement of the RSUs may not exceed such number of shares of Stock having a Fair Market Value equal to the minimum statutory amount required by the Company to be withheld and paid to any federal, state, or local taxing authority with respect to such vesting and settlement of the RSUs, or such greater amount as may be permitted under applicable accounting standards.

#### 10. General Provisions.

(c) 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.

(d) 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. In addition, the Company or an Affiliate 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.

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

(f) Securities Matters. The Company shall not be required to deliver any shares of 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.

(g) 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. 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). Subject to Section 11(f) hereof, you agree 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 RSU Award 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 RSU Grant. You are not required to execute this Agreement, but you will have 60 days from the Grant Date to notify the Company of any issues regarding the terms and conditions of this Agreement; otherwise, you will be deemed to agree with them. In connection with your RSU grant and this 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.

**DARDEN RESTAURANTS, INC.  
2015 OMNIBUS INCENTIVE PLAN**

**FY 20[ ] RESTRICTED STOCK AWARD AGREEMENT**

This Restricted Stock Award Agreement (the “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 Restricted Stock during the Company’s fiscal year 20[ ]. This Agreement is effective as of the Grant Date communicated to you and set forth in the Company’s records.

The Company wishes to award to you a number of shares of Stock, subject to certain restrictions as provided in this Agreement, in order to carry out the purpose of the Company’s 2015 Omnibus 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 Restricted Stock.

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

2. Rights with Respect to the Shares.

With respect to the Shares, you shall be entitled to exercise the rights of a shareholder of Stock of the Company, including the right to vote the Shares and the right to receive dividends and distributions thereon as provided in Sections 8(b) and (c) of this Agreement, unless and until the Shares are forfeited pursuant to Sections 4 or 6 hereof. Your rights with respect to the Shares 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 Shares lapse, in accordance with Sections 3 or 4 hereof.

3. Vesting.

Subject to the terms and conditions of this Agreement including the clawback and forfeiture provisions under Section 6 and Section 10 below, the Shares shall vest, and the restrictions with respect to the Shares shall lapse, on [vesting schedule variable] if you remain continuously employed by the Company or an Affiliate until the respective vesting dates.

4. Early Vesting; Forfeiture.

If you cease to be employed by the Company or an Affiliate prior to the vesting of the Shares pursuant to Section 3 hereof, your rights to all of the unvested Shares shall be immediately and irrevocably forfeited, including the right to vote such Shares and the right to receive dividends and distributions on such Shares as provided in Sections 8(b) and (c) of this Agreement. Notwithstanding the foregoing, the Shares shall vest subject to the terms and conditions of this Agreement including the clawback and forfeiture provisions under Section 6 and Section 10

below:<sup>1</sup>

(a) If, within two years after the date of the consummation of a Change in Control that occurs after the Grant Date, the Company terminates your employment for any reason other than for Cause (using the standard definition set forth in Section 2.8 of the Plan), death or Disability, or you terminate employment for Good Reason, you shall become immediately and unconditionally vested in all Shares and the restrictions with respect to all of the Shares shall lapse.

(b) [if (A) the Company or an Affiliate terminates your employment involuntarily and not for Cause (using the standard definition set forth in Section 2.8 of the Plan) prior to the vesting of the Shares pursuant to Section 3 hereof, and (B) your combined age and years of service with the Company or an Affiliate (pursuant to the method for crediting service under the Darden Savings Plan) equal at least 70, then the Shares will vest on a pro rata basis on the date of your termination of employment, based on the number of full months of employment completed from the Grant Date to the date of your termination of employment divided by the number of full months in the vesting period for any unvested Shares, and your rights to all of the unvested Shares shall be immediately and irrevocably forfeited;]

(c) [if you Retire (as defined below under Section 4(h) below) on or after age 65 with five years of service with the Company or an Affiliate (pursuant to the method for crediting service under the Darden Savings Plan) (“Normal Retirement”) prior to the vesting of the Shares pursuant to Section 3 hereof, you shall become immediately and unconditionally vested in all Shares and the restrictions with respect to all Shares shall lapse on the date of your Normal Retirement;]

(d) [if you Retire on or after age 55 with ten years of service with the Company or an Affiliate (pursuant to the method for crediting service under the Darden Savings Plan) but before Normal Retirement (“Early Retirement”), the Shares will vest on a pro rata basis on the date of your Early Retirement, based on the number of full months of employment completed from the Grant Date to the date of your Early Retirement divided by the number of full months in the vesting period for any unvested Shares, and your rights to all of the unvested Shares shall be immediately and irrevocably forfeited;]

(e) if you die prior to the vesting of the Shares pursuant to Section 3 hereof, you shall become immediately and unconditionally vested in all Shares and the restrictions with respect to all Shares shall lapse on the date of your death. No transfer by will or the Applicable Laws of descent and distribution of any Shares 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; or

(f) if you become Disabled (as defined below) prior to the vesting of the Shares pursuant to Section 3 hereof, you shall become immediately and unconditionally vested in

<sup>1</sup> **Note to Draft** : The CEO has the flexibility, in his sole discretion, to include or exclude the Rule of 70 provision in Section 4(b). The intent is for the retirement provisions in Sections 4(c) and (d) to be included in annual grants and to have the flexibility to include or exclude these provisions in off-cycle grants.

all Shares and the restrictions with respect to all Shares shall lapse on the date on which the Committee administering the Plan makes the determination that you are Disabled. 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.

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

(i) without your express written consent, (a) 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 the consummation of a Change in Control or (b) any other substantial adverse change in such position (including titles), authority or responsibilities; or

(ii) a material reduction in your base salary, target annual bonus opportunity, long-term incentive opportunity or aggregate employee benefits as in effect immediately prior to the date of the consummation of a Change in Control, other than (a) an inadvertent failure remedied by the Company promptly after receipt of notice thereof given by you or (b) 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 Company generally.

You shall only have Good Reason if (A) you have provided notice of termination to the Company of any of the foregoing conditions within ninety (90) days of the initial existence of the condition, (B) the Company has been given at least thirty (30) days following receipt of such notice to cure such condition, and (C) if such condition is not cured within such thirty (30) day period, you actually terminate employment within sixty (60) days after the notice of termination. Your mental or physical incapacity following the occurrence of an event described above in clauses (i) or (ii) shall not affect your ability to terminate employment for Good Reason and your death following delivery of a notice of termination for Good Reason shall not affect your estate’s entitlement to vesting of the Shares as provided hereunder upon a termination of employment for Good Reason.

(h) For purposes of this Agreement, “Retire” means that you voluntarily terminate your employment with the Company and its Affiliates after having attained a combination of age and years of service that meets the requirements of either Section 4(c) or Section 4(d) above and, prior to such employment termination, you have: (i) given the Company’s Chief Human Relations Officer (“CHRO”) or your immediate supervisor at least three months’ prior written notice (or such shorter period of time approved in writing by the CHRO or your immediate supervisor) of your intended retirement date and (ii) completed transition duties and responsibilities as determined by the CHRO and/or your immediate supervisor during the notice period in a satisfactory manner, as reasonably determined by either of them. Notwithstanding the foregoing, you shall be deemed to Retire for purposes of this Section if your employment is involuntarily terminated by the Company without Cause after having met one of the age and service requirements set forth above, provided that you have timely completed transition duties and responsibilities as determined by the CHRO and/or your immediate supervisor, if any, in a satisfactory manner, as reasonably determined by either of them.

5. Restriction on Transfer.

Except as contemplated by Section 4(e) hereof, until the Shares vest pursuant to Sections 3 or 4 hereof, none of the Shares may be sold, assigned, transferred, pledged, attached or otherwise encumbered, and no attempt to transfer the Shares, 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 Shares.

6. Clawback and Forfeiture upon Financial Restatements

Notwithstanding the provisions of Sections 3 and 4 of this Agreement, if you are an executive officer (as defined under SEC rules) of the Company at any time after the Grant Date and (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 Shares that vested under this Agreement and any distributions with respect to the vested Shares (including any cash dividends or other distributions) received by you or your personal representative and pay to the Company in cash the amount of any proceeds received by you or your personal representative from the disposition or transfer of any Shares, in each case 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 Shares that are not vested on the date that the Committee makes such determination shall be immediately and irrevocably forfeited, including the right to vote such Shares and the right to receive dividends and distributions on such Shares as provided in Sections 8(b) and (c) of this Agreement. Notwithstanding anything to the contrary in this Section 6, the Committee shall have the authority and discretion to make any determination regarding the specific implementation of this Section 6 with respect to you. In addition to this Section 6, the Shares and any rights to any property thereunder shall be fully subject to any “clawback” or compensation recovery policy that may later be adopted by the Company or imposed under Applicable Laws.

7. Issuance and Custody of Certificates.

(a) The Company shall cause the Shares to be issued in your name in such a manner as the Committee, in its sole discretion, deems appropriate, including by book-entry or direct registration (including transaction advices) or the issuance of a stock certificate or certificates, which certificate or certificates shall be held by the Secretary of the Company for your benefit until such time as such Shares are forfeited to the Company or the restrictions applicable to the Shares lapse and you deliver a stock power to the Company with respect to each certificate. The Shares shall be restricted from transfer and shall be subject to an appropriate stop-transfer order. If any certificate is issued, the certificate shall bear a legend that complies with Applicable Law and makes appropriate reference to the restrictions applicable to the Shares. To the extent that ownership of the Shares is evidenced by a book-entry registration or direct registration (including transaction advices), such registration shall be notated to evidence the restrictions imposed on such Shares.

(b) After any Shares vest pursuant to Sections 3 or 4 hereof, and following payment of the applicable withholding taxes pursuant to Section 9 hereof, the Company shall promptly cause such vested Shares (less any shares withheld to pay taxes), free of the

restrictions and/or legend described in this Section 7, to be delivered, either by book-entry or direct registration (including transaction advices) or in the form of a certificate or certificates evidencing ownership of such Shares, registered in your name or in the names of your beneficiary or estate, as the case may be.

8. Distributions and Adjustments.

(a) If any Shares vest subsequent to any change in the number or character of the Stock (through any stock dividend or other distribution, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares or otherwise) occurring after the Grant Date, you shall then receive upon such vesting the number and type of securities or other consideration which you would have received if such Shares had vested prior to the event changing the number or character of the outstanding Stock.

(b) Any additional shares of Stock, any other securities of the Company and any other property (except for cash dividends or other cash distributions) distributed with respect to the Shares prior to the date or dates the Shares vest shall be subject to the same restrictions, terms and conditions as the Shares to which they relate and shall be promptly deposited with the Secretary of the Company or a custodian designated by the Secretary. To the extent that the Shares are forfeited prior to vesting, the right to receive such distributions shall also be forfeited.

(c) Any cash dividends or other cash distributions payable with respect to the Shares prior to the vesting of the Shares shall be distributed to you as soon as reasonably practicable upon the vesting of the Shares in the amount originally declared, without interest. If the Shares are forfeited prior to vesting, any accumulated cash dividends or other cash distributions payable in respect of such Shares shall also be forfeited. After the Shares vest, any subsequent cash dividends or other cash distributions payable in respect of the Shares shall be distributed to you at the same time cash dividends or other cash distributions are distributed to shareholders of the Company generally.

9. Taxes.

(a) You acknowledge that you will consult with your personal tax advisor regarding the income tax consequences of the grant of the Shares, the payment of dividends on the Shares, the vesting of the Shares and any other matters related to this Agreement. In order to comply with all applicable federal, state or local income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal, state or local 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 receipt of, or the lapse of restrictions relating to, the Shares by (i) delivering cash (including check, draft, money order or wire transfer made payable to the order of the Company), (ii) having the Company withhold a portion of the Shares or cash otherwise to be delivered having a Fair Market Value equal to the amount of such taxes, or (iii) delivering to the Company shares of Stock having a Fair Market Value equal to the amount of such taxes. The Company will not deliver any fractional Share but will pay, in lieu thereof, the Fair Market Value of such fractional Share. Your election must

be made on or before the date that the amount of tax to be withheld is determined. The maximum number of shares of Stock that may be withheld to satisfy any applicable tax withholding obligations arising from the vesting of the Shares may not exceed such number of shares of Stock having a Fair Market Value equal to the minimum statutory amount required by the Company to be withheld and paid to any federal, state, or local taxing authority with respect to such vesting of the Shares, or such greater amount as may be permitted under applicable accounting standards. If you do not make a tax withholding election under this Section 9(b), the Company shall withhold Shares as provided in Section 9(b)(ii) above.

10. [ Restrictive Covenants.<sup>2</sup>

(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, including the Defend Trade Secrets Act of 2016) 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 (as defined below), (2) computer software, hardware, network and internet technology utilized, modified or enhanced by the Company or by you in furtherance of your 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 (collectively, "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

<sup>2</sup> **Note to Draft** : The restrictive covenants in Section 10 shall be included in grants to executive officers. The CEO shall have discretion whether or not to include these covenants in grants to other individuals.

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 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 (as defined below), 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 Section 10(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 with the Company 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 (as defined below) during the last two years of your employment with the Company, 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.

(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 provisions of this Section 10(d) 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 Section 10(c) above and this Section 10(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. By accepting this Agreement, you specifically recognize and affirm that strict compliance with terms of the covenants set forth in this Section 10 is required in order to vest and receive the Shares. You agree that should all or any part or application of this Section 10 be held or found invalid or unenforceable for any reason whatsoever by a court of competent jurisdiction in an action between you and the Company, you nevertheless shall not vest in and receive any of the Shares if you violated any of the terms of any of the covenants set forth in this Section 10.

(f) Survival of Covenants. The provisions and restrictive covenants in this Section 10 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 10. 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 10, 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) Clawback and Forfeiture due to Violating Section 10. In the event that you violate any of the terms of this Section 10, you understand and agree that in addition to the Company's rights to obtain injunctive relief and damages for such violation, (i) you shall return to the Company any Shares that vested [on or after any such violation or pursuant to Section 4 of this Agreement] and any distributions with respect to such vested Shares (including any cash dividends or other distributions) received by you or your personal representative and pay to the Company in cash the amount of any proceeds received by you or your personal representative from the disposition or transfer of any such Shares, and (ii) your unvested Shares shall be immediately forfeited.]

## 11. 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.

(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. In addition, the Company or an Affiliate 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) Securities Matters. The Company shall not be required to deliver any Shares 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.

(d) 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.

(e) Arbitration. [Except for injunctive relief as set forth herein,]<sup>3</sup> 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.

(f) 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). Subject to Section 11(e) hereof, you agree 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.

(g) 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

(h) Offset. Any severance or other payments or benefits to you under the Company's plans and agreements may be reduced, in the Company's discretion, by any amounts that you owe the Company under Section 6 or Section 10 of this Agreement, provided that any such offset occurs at a time so that it does not violate Section 409A of the Code and is permitted under Applicable Laws.

(i) Award Agreement and Related Documents. This Restricted Stock Award Agreement shall have no force or effect unless you have been notified by the Company,

<sup>3</sup> **Note to Draft** : This language only to be included in Agreements that contain the restrictive covenants in Section 10.

and identified in the Company's records, as the recipient of a Restricted Stock Award grant. [You are not required to execute this Agreement, but you will have 60 days from the Grant Date to notify the Company of any issues regarding the terms and conditions of this Agreement; otherwise, you will be deemed to agree with them. **OR YOU MUST REVIEW AND ACKNOWLEDGE ACCEPTANCE OF THE TERMS OF THIS AGREEMENT, INCLUDING SPECIFICALLY THE RESTRICTIVE COVENANTS, THE CLAWBACK AND FORFEITURE PROVISIONS UNDER SECTION 6 AND SECTION 10 OF THIS AGREEMENT AND THE COMPANY'S OFFSET PROVISIONS, 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 RESTRICTED STOCK GRANT.** ]<sup>4</sup> In connection with your Restricted Stock grant and this 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.

<sup>4</sup>**Note to Draft** : Active acceptance of the Agreement only to be included in Agreements that contain the restrictive covenants in Section 10.

**DARDEN RESTAURANTS, INC.  
2015 OMNIBUS INCENTIVE PLAN**

**RESTRICTED STOCK UNIT AWARD AGREEMENT  
FOR NON-EMPLOYEE DIRECTORS**

This Restricted Stock Unit Award Agreement (the “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 Restricted Stock Units during the Company’s fiscal year 2016. This Agreement is effective as of the Grant Date communicated to you and set forth in the Company’s records.

The Company wishes to award to you a number of Restricted Stock Units, subject to certain restrictions as provided in this Agreement, in order to carry out the purpose of the Company’s 2015 Omnibus 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 Restricted Stock Units.

The Company hereby grants to you, effective as of the Grant Date, an Award of Restricted Stock Units for that number of Restricted Stock Units communicated to you and set forth in the Company’s records (the “RSUs”), on the terms and conditions set forth in such communication, this Agreement and the Plan. Each RSU represents the right to receive, subject to the vesting provisions set forth below, one share of Stock.

2. Rights with Respect to the RSUs.

The RSUs granted hereunder do not and shall not give you any of the rights and privileges of a shareholder of Stock, other than the right to receive dividends and other distributions as provided in Sections 7(b) and 7(c) hereof. Your rights with respect to the RSUs 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 RSUs lapse, in accordance with Sections 3 or 4 hereof.

3. Vesting.

Subject to the terms and conditions of this Agreement, the RSUs shall vest, and the restrictions with respect to the RSUs shall lapse, on the completion of a Year of Service. “Year of Service” shall mean the earlier of (i) the first anniversary of the Grant Date or (ii) the date of the Company’s next annual meeting of shareholders, subject to Section 4 of this Agreement.

4. Early Vesting; Forfeiture.

(a) If your service on the Board terminates other than by reason of your death or Disability (as defined below) prior to the vesting of the RSUs pursuant to Section 3 hereof, your rights to all of the unvested RSUs shall be immediately and irrevocably forfeited.

(b) If you die prior to the vesting of the RSUs pursuant to Section 3 hereof, then you shall become immediately and unconditionally vested in all RSUs and the

restrictions with respect to all RSUs shall lapse on the date of your death. No transfer by will or the Applicable Laws of descent and distribution of any RSUs 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) If you become Disabled (as defined below) prior to the vesting of the RSUs pursuant to Section 3 hereof, then you shall become immediately and unconditionally vested in all RSUs and the restrictions with respect to all RSUs shall lapse on the date on which the Committee administering the Plan makes the determination that you are Disabled. For purposes of this Agreement, “Disabled” 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.

#### 5. Restriction on Transfer.

Except as contemplated by Section 4(b) hereof, none of the RSUs may be sold, assigned, transferred, pledged, attached or otherwise encumbered, and no attempt to transfer the RSUs, 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 RSUs.

#### 6. Settlement of RSUs.

No shares of Stock shall be issued to you prior to the date on which the RSUs vest, in accordance with the terms and conditions communicated to you and set forth herein. After the RSUs vest pursuant to Sections 3 or 4 hereof, the Company shall promptly, but no later than 30 days following the applicable vesting date, cause to be issued in your name one share of Stock for each RSU and pay to you any accumulated distributions pursuant to Sections 7(b) and (c) hereof. Notwithstanding the foregoing, you may elect to defer the settlement of the RSUs (and any accumulated distributions) beyond the vesting date of the RSUs. Any deferral election must be made in compliance with such rules and procedures as may be established by the Committee administering the Plan.

#### 7. Distributions and Adjustments.

(a) If any RSUs vest subsequent to any change in the number or character of the Stock of the Company (through any stock dividend or other distribution, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares or otherwise) occurring after the Grant Date, you shall then receive upon such vesting the number and type of securities or other consideration which you would have received if such RSUs had vested prior to the event changing the number or character of the outstanding Stock.

(b) On the date on which shares of Stock under Section 6 are delivered to you (or your beneficiary or, if none, your estate in the event of your death), the Company shall also deliver to you (or your beneficiary or, if none, your estate in the event of your death) the number of additional shares of Stock, the number of any other securities of the Company and the value or actual issuance of any other property (in each case as determined

by the Committee) (except for cash dividends and other cash distributions), in each case that the Company would have distributed to you during the period commencing on the Grant Date and ending on the applicable vesting date in respect of the shares of Stock that are being delivered to you under Section 6 had such shares been issued to you on the Grant Date, without interest. Any such accumulated distributions shall be distributed to you in accordance with Section 6 hereof. If the RSUs are forfeited prior to vesting, any accumulated distributions payable in respect of such RSUs shall also be forfeited.

(c) On the date on which shares of Stock under Section 6 are delivered to you (or your beneficiary or, if none, your estate in the event of your death), the Company shall make a cash payment to you (or your beneficiary or, if none, your estate in the event of your death) equal to the aggregate amount of cash dividends and other cash distributions that the Company would have paid to you during the period commencing on the Grant Date and ending on the applicable vesting date in respect of the shares of Stock that are being delivered to you under Section 6 had such shares been issued to you on the Grant Date, without interest. If the RSUs are forfeited prior to vesting, any accumulated cash dividends or other cash distributions payable in respect of such RSUs shall also be forfeited.

## 8. 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.

(b) No Right to Board Service. Nothing in this Agreement or the Plan shall be construed as giving you the right to continue to serve on the Board.

(c) Securities Matters. The Company shall not be required to deliver any shares of 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.

(d) 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.

(e) Arbitration. The parties agree that any dispute between the parties regarding this Agreement shall be submitted to binding arbitration in Orlando, Florida.

(f) 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). Subject to Section 8(e) hereof, you agree 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.

(g) 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

(h) Award Agreement and Related Documents. This Restricted Stock Unit Award 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 Restricted Stock Unit Award grant. You are not required to execute this Agreement, but you will have 60 days from the Grant Date to notify the Company of any issues regarding the terms and conditions of this Agreement; otherwise, you will be deemed to agree with them. In connection with your Restricted Stock Unit grant and this 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.

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

|                                                                                                       | Fiscal Year Ended |              |              |              |              |
|-------------------------------------------------------------------------------------------------------|-------------------|--------------|--------------|--------------|--------------|
|                                                                                                       | May 29, 2016      | May 31, 2015 | May 25, 2014 | May 26, 2013 | May 27, 2012 |
| Consolidated earnings from continuing operations before income taxes                                  | \$ 449.7          | \$ 175.3     | \$ 174.6     | \$ 274.0     | \$ 355.1     |
| Plus fixed charges:                                                                                   |                   |              |              |              |              |
| Gross interest expense <sup>(1)</sup>                                                                 | 174.3             | 194.2        | 137.5        | 129.8        | 106.4        |
| 40% of restaurant and equipment minimum rent expense                                                  | 93.4              | 66.8         | 58.6         | 50.3         | 40.2         |
| Total fixed charges                                                                                   | 267.7             | 261.0        | 196.1        | 180.1        | 146.6        |
| Less capitalized interest                                                                             | (0.7)             | (1.3)        | (2.6)        | (2.9)        | (3.4)        |
| Consolidated earnings from continuing operations before income taxes available to cover fixed charges | \$ 716.7          | \$ 435.0     | \$ 368.1     | \$ 451.2     | \$ 498.3     |
| Ratio of consolidated earnings from continuing operations to fixed charges                            | 2.7               | 1.7          | 1.9          | 2.5          | 3.4          |

(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 2016, which ended May 29, 2016, consisted of 52 weeks. Fiscal 2015, which ended May 31, 2015, consisted of 53 weeks and fiscal 2014, which ended May 25, 2014, consisted of 52 weeks.

### OVERVIEW OF OPERATIONS

Our business operates in the full-service dining segment of the restaurant industry. At May 29, 2016, we operated 1,536 restaurants through subsidiaries in the United States and Canada under the Olive Garden®, LongHorn Steakhouse®, The Capital Grille®, Yard House®, Bahama Breeze®, Seasons 52®, and Eddie V's Prime Seafood® and Wildfish Seafood Grille® (collectively, Eddie V's) trademarks. We own and operate all of our restaurants in the United States and Canada, except for 6 joint venture restaurants managed by us and 18 franchised restaurants. We also have 32 franchised restaurants in operation located in Latin America, the Middle East and Malaysia. All intercompany balances and transactions have been eliminated in consolidation.

On November 9, 2015, we completed the spin-off of Four Corners Property Trust, Inc. (Four Corners) with the pro rata distribution of one share of common stock for every three shares of Darden common stock to Darden shareholders. The separation included (i) the transfer of 6 LongHorn Steakhouse restaurants located in the San Antonio, Texas area as well as 418 restaurant properties to Four Corners, which were subsequently leased back to Darden; (ii) the issuance to us of all of the outstanding common stock of Four Corners and corresponding pro rata distribution to our shareholders of the outstanding shares of Four Corners common stock as a tax-free stock dividend; and (iii) a cash dividend of approximately \$315.0 million received by us from Four Corners from the proceeds of Four Corners' term loan borrowings. See Note 2 to our consolidated financial statements for further details.

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

With a focus on growing same-restaurant sales, we've implemented a "Back-to-Basics" approach rooted in strong operating fundamentals. We're focused on improving culinary innovation and execution inside each of our brands, delivering attentive service to each and every one of our guests, and creating an inviting and engaging atmosphere inside our restaurants. We support these priorities with smart and relevant integrated marketing programs that resonate with our guests. By delivering on these operational and brand-building imperatives, we expect to increase our market share through new restaurant and same-restaurant sales growth and deliver best-in-class profitability.

The Darden support structure enables our brands to achieve their ultimate potential by: (1) driving advantages in supply chain and general and administrative support; (2) applying insights collected from our significant guest and transactional databases to enhance guest relationships and identify new opportunities to drive sales growth; and (3) relentlessly driving operating efficiencies and continuous improvement, operating with a sense of urgency and inspiring a performance-driven 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 52-week 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
- Segment profit – which is restaurant sales, less food and beverage costs, restaurant labor costs, restaurant expenses and marketing expenses (sometimes referred to as restaurant-level earnings).

Increasing same-restaurant sales can improve segment profit 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 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, and relocations and remodeling of existing restaurants. Pre-opening expenses each period reflect the costs associated with opening new restaurants in current and future periods.

### ***Fiscal 2016 Financial Highlights***

Our sales from continuing operations were \$6.93 billion in fiscal 2016 compared to \$6.76 billion in fiscal 2015 . The 2.5 percent increase in sales from continuing operations was driven by a combined Darden same-restaurant sales increase of 3.3 percent on a 52-week basis and the addition of two net new company-owned restaurants, partially offset by the impact of the 53<sup>rd</sup> week of operation in fiscal 2015 .

Net earnings from continuing operations for fiscal 2016 were \$359.7 million ( \$2.78 per diluted share) compared with net earnings from continuing operations for fiscal 2015 of \$196.4 million ( \$1.51 per diluted share). Net earnings from continuing operations for fiscal 2016 increased 83.1 percent and diluted net earnings per share from continuing operations increased 84.1 percent compared with fiscal 2015 .

Our net earnings from discontinued operations were \$15.3 million ( \$0.12 per diluted share) for fiscal 2016 , compared with net earnings from discontinued operations of \$513.1 million ( \$3.96 per diluted share) for fiscal 2015 . When combined with results from continuing operations, our diluted net earnings per share were \$2.90 and \$5.47 for fiscal 2016 and 2015 , respectively.

### ***Outlook***

We expect combined Darden same-restaurant sales to increase in fiscal 2017 between 1.0 percent and 2.0 percent, and we expect fiscal 2017 sales from continuing operations to increase between 1.7 percent and 2.7 percent. In fiscal 2017 , we expect to open approximately 24 to 28 new restaurants, and we expect capital expenditures incurred to build new restaurants, remodel and maintain existing restaurants and technology initiatives to be between \$310.0 million and \$350.0 million.

In June 2016 , we announced a quarterly dividend of \$0.56 per share, payable on August 1, 2016 . Based on the \$0.56 quarterly dividend declaration, our expected annual dividend is \$2.24 per share, which reflects an increase of 6.7 percent compared to our fiscal 2016 annual dividend. Dividends are subject to the approval of our Board of Directors and, accordingly, the timing and amount of our dividends are subject to change.

There are significant risks and challenges that could impact our operations and ability to increase sales and earnings. The 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 2016, 2015 AND 2014

To facilitate review of our results of operations, the following table sets forth our financial results for the periods indicated. All information is derived from the consolidated statements of earnings for the fiscal years ended May 29, 2016, May 31, 2015 and May 25, 2014. This information and the following analysis have been presented with the results of operations, costs incurred in connection with the sale and related gain on the sale of Red Lobster and results for the two closed company-owned synergy restaurants classified as discontinued operations for all periods presented.

| (in millions)                                     | May 29, 2016 | May 31, 2015 | May 25, 2014 | Percent Change |              |
|---------------------------------------------------|--------------|--------------|--------------|----------------|--------------|
|                                                   |              |              |              | 2016 vs 2015   | 2015 vs 2014 |
| Sales                                             | \$ 6,933.5   | \$ 6,764.0   | \$ 6,285.6   | 2.5 %          | 7.6 %        |
| Costs and expenses:                               |              |              |              |                |              |
| Food and beverage                                 | 2,039.7      | 2,085.1      | 1,892.2      | (2.2)%         | 10.2 %       |
| Restaurant labor                                  | 2,189.2      | 2,135.6      | 2,017.6      | 2.5 %          | 5.8 %        |
| Restaurant expenses                               | 1,163.5      | 1,120.8      | 1,080.7      | 3.8 %          | 3.7 %        |
| Marketing expenses                                | 238.0        | 243.3        | 252.3        | (2.2)%         | (3.6)%       |
| General and administrative expenses               | 384.9        | 430.2        | 413.1        | (10.5)%        | 4.1 %        |
| Depreciation and amortization                     | 290.2        | 319.3        | 304.4        | (9.1)%         | 4.9 %        |
| Impairments and disposal of assets, net           | 5.8          | 62.1         | 16.4         | (90.7)%        | 278.7 %      |
| Total operating costs and expenses                | \$ 6,311.3   | \$ 6,396.4   | \$ 5,976.7   | (1.3)%         | 7.0 %        |
| Operating income                                  | 622.2        | 367.6        | 308.9        | 69.3 %         | 19.0 %       |
| Interest, net                                     | 172.5        | 192.3        | 134.3        | (10.3)%        | 43.2 %       |
| Earnings before income taxes                      | 449.7        | 175.3        | 174.6        | 156.5 %        | 0.4 %        |
| Income tax expense (benefit) (1)                  | 90.0         | (21.1)       | (8.6)        | (526.5)%       | 145.3 %      |
| Earnings from continuing operations               | \$ 359.7     | \$ 196.4     | \$ 183.2     | 83.1 %         | 7.2 %        |
| Earnings from discontinued operations, net of tax | 15.3         | 513.1        | 103.0        | (97.0)%        | 398.2 %      |
| Net earnings                                      | \$ 375.0     | \$ 709.5     | \$ 286.2     | (47.1)%        | 147.9 %      |
| (1) Effective tax rate                            | 20.0%        | (12.0)%      | (4.9)%       |                |              |

The following table details the number of company-owned restaurants currently reported in continuing operations, compared with the number open at the end of fiscal 2015 and the end of fiscal 2014.

|                     | May 29, 2016 | May 31, 2015 | May 25, 2014 |
|---------------------|--------------|--------------|--------------|
| Olive Garden (1)    | 843          | 846          | 837          |
| LongHorn Steakhouse | 481          | 480          | 464          |
| Yard House          | 65           | 59           | 52           |
| The Capital Grille  | 54           | 54           | 54           |
| Bahama Breeze       | 37           | 36           | 37           |
| Seasons 52          | 40           | 43           | 38           |
| Eddie V's           | 16           | 16           | 15           |
| Other (2)           | —            | —            | 4            |
| Total               | 1,536        | 1,534        | 1,501        |

(1) Includes six locations in Canada for all periods presented.

(2) Represents company-owned synergy restaurants in operation. We completed the conversion of all remaining synergy restaurants into stand-alone Olive Garden restaurants during the first quarter of fiscal 2015.

## SALES

The following table presents our sales and U.S. same-restaurant sales (SRS) by brand for the periods indicated.

| (in millions)       | Fiscal Years |            |            | Percent Change |              | SRS (1)      |              |
|---------------------|--------------|------------|------------|----------------|--------------|--------------|--------------|
|                     | 2016         | 2015       | 2014       | 2016 vs 2015   | 2015 vs 2014 | 2016 vs 2015 | 2015 vs 2014 |
| Olive Garden        | \$ 3,838.6   | \$ 3,789.6 | \$ 3,643.1 | 1.3%           | 4.0%         | 3.1%         | 1.3%         |
| LongHorn Steakhouse | \$ 1,587.7   | \$ 1,544.7 | \$ 1,383.9 | 2.8%           | 11.6%        | 3.5%         | 4.4%         |
| Yard House          | \$ 507.0     | \$ 469.9   | \$ 395.4   | 7.9%           | 18.8%        | 2.3%         | 3.8%         |
| The Capital Grille  | \$ 408.3     | \$ 403.3   | \$ 363.2   | 1.2%           | 11.0%        | 3.9%         | 4.8%         |
| Bahama Breeze       | \$ 217.9     | \$ 209.2   | \$ 201.5   | 4.2%           | 3.8%         | 4.8%         | 1.8%         |
| Seasons 52          | \$ 253.8     | \$ 238.6   | \$ 196.3   | 6.4%           | 21.5%        | 4.7%         | 2.3%         |
| Eddie V's           | \$ 105.8     | \$ 96.9    | \$ 78.4    | 9.2%           | 23.6%        | 1.8%         | 5.4%         |

(1) Same-restaurant sales is a year-over-year comparison of each period's sales volumes for a 52-week year and is limited to restaurants open at least 16 months.

The following table presents our average annual sales per restaurant for the periods indicated. Average annual sales are calculated as net sales divided by total restaurant operating weeks multiplied by 52 weeks.

| (in millions)       | May 29, 2016 |     | May 31, 2015 |     | May 25, 2014 |     |
|---------------------|--------------|-----|--------------|-----|--------------|-----|
| Olive Garden        | \$           | 4.5 | \$           | 4.4 | \$           | 4.4 |
| LongHorn Steakhouse | \$           | 3.3 | \$           | 3.2 | \$           | 3.1 |
| Yard House          | \$           | 8.2 | \$           | 8.3 | \$           | 8.2 |
| The Capital Grille  | \$           | 7.6 | \$           | 7.2 | \$           | 7.1 |
| Bahama Breeze       | \$           | 5.9 | \$           | 5.7 | \$           | 5.6 |
| Seasons 52          | \$           | 6.0 | \$           | 5.7 | \$           | 5.7 |
| Eddie V's           | \$           | 6.6 | \$           | 6.3 | \$           | 6.0 |

Olive Garden's sales increase for fiscal 2016 was driven by a U.S. same-restaurant sales increase partially offset by the impact of the 53<sup>rd</sup> week in fiscal 2015. The increase in U.S. same-restaurant sales in fiscal 2016 resulted from a 2.0 percent increase in average check combined with a 1.1 percent increase in same-restaurant guest counts. Olive Garden's sales increase for fiscal 2015 was driven by revenue from nine net new restaurants combined with a U.S. same-restaurant sales increase and the impact of the 53<sup>rd</sup> week. The increase in U.S. same-restaurant sales in fiscal 2015 resulted from a 2.9 percent increase in average check partially offset by a 1.6 percent decrease in same-restaurant guest counts.

LongHorn Steakhouse's sales increase for fiscal 2016 was driven by revenue from one net new restaurant combined with a same-restaurant sales increase, partially offset by the impact of the 53<sup>rd</sup> week in fiscal 2015. The increase in same-restaurant sales in fiscal 2016 resulted from a 3.0 percent increase in average check combined with a 0.5 percent increase in same-restaurant guest counts. LongHorn Steakhouse's sales increase for fiscal 2015 was driven by revenue from 16 net new restaurants combined with a same-restaurant sales increase and the impact of the 53<sup>rd</sup> week. The increase in same-restaurant sales in fiscal 2015 resulted from a 3.6 percent increase in average check combined with a 0.8 percent increase in same-restaurant guest counts.

In total, The Capital Grille, Bahama Breeze, Seasons 52, Eddie V's and Yard House generated sales in fiscal 2016 and 2015, which were 5.3 percent and 14.8 percent above fiscal 2015 and fiscal 2014, respectively. The sales increases for fiscal 2016 were primarily driven by the incremental sales from six net new Yard House restaurants since the end of fiscal 2015 and same-restaurant sales increases at all five brands partially offset by the impact of the 53<sup>rd</sup> week in fiscal 2015. The sales increases for fiscal 2015 were primarily driven by incremental sales from 12 net new restaurants since the end of fiscal 2014 and the impact of the 53<sup>rd</sup> week. Sales growth for fiscal 2015 also reflected same-restaurant sales increases at all five brands.

## COSTS AND EXPENSES

The following table sets forth selected operating data as a percent of sales from continuing operations for the periods indicated. This information is derived from the consolidated statements of earnings for the fiscal years ended May 29, 2016 , May 31, 2015 and May 25, 2014 . Additionally, this information and the following analysis have been presented with the results of operations, costs incurred in connection with the sale and related gain on the sale of Red Lobster and results for the two closed synergy restaurants classified as discontinued operations for all periods presented.

|                                                     | Fiscal Years |         |         |
|-----------------------------------------------------|--------------|---------|---------|
|                                                     | 2016         | 2015    | 2014    |
| Sales                                               | 100.0%       | 100.0 % | 100.0 % |
| Costs and expenses:                                 |              |         |         |
| Food and beverage                                   | 29.4         | 30.8    | 30.1    |
| Restaurant labor                                    | 31.6         | 31.6    | 32.1    |
| Restaurant expenses                                 | 16.8         | 16.6    | 17.2    |
| Marketing expenses                                  | 3.4          | 3.6     | 4.0     |
| General and administrative expenses                 | 5.5          | 6.4     | 6.6     |
| Depreciation and amortization                       | 4.2          | 4.7     | 4.8     |
| Impairments and disposal of assets, net             | 0.1          | 0.9     | 0.3     |
| Total operating costs and expenses                  | 91.0%        | 94.6 %  | 95.1 %  |
| Operating income                                    | 9.0          | 5.4     | 4.9     |
| Interest, net                                       | 2.5          | 2.8     | 2.1     |
| Earnings before income taxes                        | 6.5          | 2.6     | 2.8     |
| Income tax expense (benefit)                        | 1.3          | (0.3)   | (0.1)   |
| Earnings from continuing operations                 | 5.2          | 2.9     | 2.9     |
| Earnings from discontinued operations, net of taxes | 0.2          | 7.6     | 1.7     |
| Net earnings                                        | 5.4%         | 10.5 %  | 4.6 %   |

Total operating costs and expenses from continuing operations were \$6.31 billion in fiscal 2016 , \$6.40 billion in fiscal 2015 and \$5.98 billion in fiscal 2014 . As a percent of sales, total costs and expenses from continuing operations were 91.0 percent in fiscal 2016 , 94.6 percent in fiscal 2015 and 95.1 percent in fiscal 2014 .

### *Fiscal 2016 Compared to Fiscal 2015 :*

- Food and beverage costs decreased as a percent of sales as a result of favorable menu mix and pricing, cost savings initiatives and food cost deflation, primarily seafood and dairy.
- Restaurant labor costs were flat as a percent of sales as wage-rate inflation, higher manager bonus and salary costs were offset by sales leverage.
- 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 as a percent of sales, primarily as a result of increased rent expense partially offset by sales leverage and cost savings initiatives.
- Marketing expenses decreased as a percent of sales, primarily as a result of sales leverage.
- General and administrative expenses decreased as a percent of sales, primarily due to lower general and administrative expenses incurred in fiscal 2016 related to the real estate plan implementation as compared to the strategic action plan costs incurred in fiscal 2015. General and administrative expenses as a percent of sales also decreased as a result of sales leverage, support cost savings and the favorable settlement of legal matters.
- Depreciation and amortization expense decreased as a percent of sales primarily from the impact of the spin-off of Four Corners, completed sale-leaseback transactions and sales leverage.
- Impairments and disposal of assets, net, decreased as a percent of sales primarily due to higher restaurant-related impairments in fiscal 2015.

### *Fiscal 2015 Compared to Fiscal 2014 :*

- Food and beverage costs increased as percent of sales as a result of food cost inflation, primarily dairy and beef, and increased costs for promotional items, partially offset by pricing and favorable menu mix.

- Restaurant labor costs decreased as a percent of sales primarily as a result of sales leverage.
- Restaurant expenses (which include utilities, repairs and maintenance, credit card, lease, property tax, workers' compensation, new restaurant pre-opening, rent expense and other restaurant-level operating expenses) decreased as a percent of sales, primarily as a result of sales leverage and lower new restaurant pre-opening expenses.
- Marketing expenses decreased as a percent of sales, primarily as a result of sales leverage and reduced media costs.
- General and administrative expenses decreased as a percent of sales, primarily as a result of sales leverage and support cost savings net of costs related to implementation of the strategic action plan.
- Depreciation and amortization expense as a percent of sales decreased primarily due to lower net new restaurants and remodel activities as compared to the prior year.

## **INTEREST EXPENSE**

Net interest expense decreased as a percent of sales in fiscal 2016 primarily due to lower average debt balances in fiscal 2016 as compared to fiscal 2015 related to the retirement of \$1.03 billion in principal of long-term debt in fiscal 2016 . The decrease was partially offset by higher debt retirement costs of \$106.8 million in fiscal 2016 compared to debt retirement costs of \$91.3 million in fiscal 2015 . Net interest expense increased as a percent of sales in fiscal 2015 as compared to fiscal 2014 primarily due to \$91.3 million of debt retirement costs related to the retirement of \$1.01 billion in principal of long-term debt in fiscal 2015 .

## **INCOME TAXES**

The effective income tax rates for fiscal 2016 , 2015 and 2014 for continuing operations were 20.0 percent , (12.0) percent and (4.9) percent , respectively. Our effective tax rate from continuing operations was negative in both fiscal 2015 and fiscal 2014 primarily due to the impact of certain tax credits on lower earnings before income taxes driven primarily by costs incurred related to our strategic action plan. The increase in our effective tax rate for fiscal 2016 compared to fiscal 2015 is primarily due to higher earnings before income taxes. The decrease in our effective rate for fiscal 2015 compared to fiscal 2014 is primarily attributable to the impact of the favorable resolution of prior-year tax matters.

## **NET EARNINGS AND NET EARNINGS PER SHARE FROM CONTINUING OPERATIONS**

Net earnings from continuing operations for fiscal 2016 were \$359.7 million ( \$2.78 per diluted share) compared with net earnings from continuing operations for fiscal 2015 of \$196.4 million ( \$1.51 per diluted share) and net earnings from continuing operations for fiscal 2014 of \$183.2 million ( \$1.38 per diluted share).

Net earnings from continuing operations for fiscal 2016 increased 83.1 percent and diluted net earnings per share from continuing operations increased 84.1 percent compared with fiscal 2015 , primarily due to increased sales, lower food and beverage costs, marketing expenses, general and administrative expenses, depreciation and amortization expenses and impairments and disposal of assets, net as a percent of sales, partially offset by higher restaurant expenses as a percent of sales and a higher effective income tax rate. Our diluted net earnings per share from continuing operations for fiscal 2016 were adversely impacted by approximately \$0.51 due to debt retirement costs and approximately \$0.26 related to the real estate plan implementation and positively impacted by approximately \$0.02 due to a tax benefit associated with the prior year lobster aquaculture divestiture.

Net earnings from continuing operations for fiscal 2015 increased 7.2 percent and diluted net earnings per share from continuing operations increased 9.4 percent compared with fiscal 2014 , primarily due to increased sales and a lower effective income tax rate and lower restaurant labor expenses, restaurant expenses and marketing expenses as a percent of sales, partially offset by higher food and beverage costs, general and administrative expenses and impairments and disposal of assets, net as a percent of sales. Our diluted net earnings per share from continuing operations for fiscal 2015 were adversely impacted by approximately \$0.42 related to debt retirement costs and approximately \$0.68 due to the combined impact of a tax benefit related to exiting from our lobster aquaculture project and legal, financial advisory and other costs related to implementation of the strategic action plan and asset impairments.

## **EARNINGS FROM DISCONTINUED OPERATIONS**

On an after-tax basis, earnings from discontinued operations for fiscal 2016 were \$15.3 million ( \$0.12 per diluted share) compared with earnings from discontinued operations for fiscal 2015 of \$513.1 million ( \$3.96 per diluted share) and fiscal 2014 of \$103.0 million ( \$0.77 per diluted share). Earnings from discontinued operations reflects pre-tax gains of \$17.9 million recorded in fiscal 2016 and \$837.0 million in fiscal 2015 , related to the sale of Red Lobster.

## SEGMENT RESULTS

We manage our restaurant brands, Olive Garden, LongHorn Steakhouse, The Capital Grille, Yard House, Bahama Breeze, Seasons 52 and Eddie V's in North America as operating segments. We aggregate our operating segments into reportable segments based on a combination of the size, economic characteristics and sub-segment of full-service dining within which each brand operates. Our four reportable segments are: (1) Olive Garden, (2) LongHorn Steakhouse, (3) Fine Dining and (4) Other Business (see Note 6 to our consolidated financial statements).

Our management uses segment profit as the measure for assessing performance of our segments. Olive Garden's segment profit margins were 19.8 percent for fiscal 2016, 18.5 percent for fiscal 2015 and 17.8 percent for fiscal 2014. The growth for fiscal 2016 was driven primarily by leveraging positive same-restaurant sales, food and beverage cost favorability and cost reduction initiatives, partially offset by additional rent expense resulting from real estate transactions. The growth for fiscal 2015 was driven primarily by leveraging positive same-restaurant sales and cost reduction initiatives, partially offset by food and beverage cost inflation. LongHorn's segment profit margins were 17.3 percent for fiscal 2016, 15.5 percent for fiscal 2015 and 14.8 percent for fiscal 2014. The growth for fiscal 2016 was driven primarily by leveraging positive same-restaurant sales as well as improved cost of sales and lower marketing expense, partially offset by additional rent expense resulting from real estate transactions. The growth for fiscal 2015 was driven primarily by leveraging positive same-restaurant sales and cost reduction initiatives, partially offset by food and beverage cost inflation. Fine Dining's segment profit margins were 19.5 percent for fiscal 2016, 19.0 percent for fiscal 2015 and 18.4 percent for fiscal 2014. The growth for fiscal 2016 was driven primarily by improved food and beverage costs. The growth for fiscal 2015 was driven primarily by leveraging positive same-restaurant sales and lower restaurant expenses. The Other Business segment profit margins were 16.9 percent for fiscal 2016, 15.5 percent for fiscal 2015 and 13.4 percent for fiscal 2014. The growth for fiscal 2016 was driven by positive same-restaurant sales leverage and lower food and beverage costs. The growth for fiscal 2015 was driven by positive same-restaurant sales leverage and lower restaurant expenses.

## SEASONALITY

Our sales volumes fluctuate seasonally. Typically, our average sales per restaurant are 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 2016. We experienced higher than normal inflationary costs during fiscal 2015 and fiscal 2014 and were able to partially reduce the annual impact utilizing these strategies.

## CRITICAL ACCOUNTING 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.

Our significant accounting policies are more fully described in Note 1 to the consolidated financial statements. 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 estimates to be most critical in understanding the judgments that are involved in preparing our consolidated financial statements.

### *Leases*

We evaluate our leases at their inception to estimate their expected term, which commences on the date when we have the right to control the use of the leased property and includes the non-cancelable base term plus all option periods we are reasonably assured to exercise. Our judgment in determining the appropriate expected term for each lease affects our evaluation of:

- 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 expected lease terms were used.

### ***Valuation 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. The judgments we make related to the expected useful lives of long-lived assets, definitions of lease terms 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 an impairment loss. Based on a review of operating results for each of our restaurants, the amount of net book value associated with lower performing restaurants that would be deemed at risk for impairment is not material to our consolidated financial statements.

### ***Valuation and Recoverability of Goodwill and Trademarks***

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 29, 2016, we had the following amounts recorded as goodwill and trademarks at our brands:

| (in millions)       | Goodwill | Trademarks |
|---------------------|----------|------------|
| Olive Garden        | \$ 30.2  | \$ —       |
| LongHorn Steakhouse | 49.3     | 307.8      |
| The Capital Grille  | 401.6    | 147.0      |
| Yard House          | 369.2    | 109.3      |
| Eddie V's           | 22.0     | 10.5       |
| Total               | \$ 872.3 | \$ 574.6   |

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.

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. Based on the results of the step one impairment test, no impairment of goodwill or trademarks was indicated. 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 and trademarks, could result in an impairment loss of a portion or all of our goodwill or trademarks.

A key assumption in our goodwill impairment test is the weighted-average cost of capital utilized for discounting our cash flow estimates in estimating the fair value of our brands under an income approach. A key assumption in our trademark fair value estimate is the discount rate utilized in the relief-from-royalty method. The following table illustrates the sensitivity to a one-percentage-point change in our weighted-average cost of capital assumption for goodwill and our discount rate assumption in our trademark valuation model.

| (dollars in millions) | Goodwill Sensitivity             |                                                    |                                                                                               | Trademark Sensitivity |                                                    |                                                                                |
|-----------------------|----------------------------------|----------------------------------------------------|-----------------------------------------------------------------------------------------------|-----------------------|----------------------------------------------------|--------------------------------------------------------------------------------|
|                       | Weighted-Average Cost of Capital | Amount by Which Fair Value Exceeded Carrying Value | Impact to Fair Value from a One-Percentage-Point Increase in Weighted-Average Cost of Capital | Discount Rate         | Amount by Which Fair Value Exceeded Carrying Value | Impact to Fair Value from a One-Percentage-Point Increase in the Discount Rate |
| LongHorn Steakhouse   | 9.5%                             | \$ 1,928.2                                         | \$ (202.0)                                                                                    | 10.5%                 | \$ 506.0                                           | \$ (83.5)                                                                      |
| The Capital Grille    | 9.0%                             | \$ 306.2                                           | \$ (71.2)                                                                                     | 10.0%                 | \$ 91.3                                            | \$ (25.4)                                                                      |
| Yard House            | 12.0%                            | \$ 368.6                                           | \$ (72.4)                                                                                     | 13.0%                 | \$ 118.7                                           | \$ (20.5)                                                                      |
| Eddie V's             | 15.0%                            | \$ 88.0                                            | \$ (9.9)                                                                                      | 16.0%                 | \$ 28.7                                            | \$ (3.3)                                                                       |

If our annual test resulted in an impairment of our goodwill or trademarks, 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 29, 2016, a write-down of goodwill, other indefinite-lived intangible assets, or any other assets in excess of approximately \$1.22 billion 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.

### **Unearned Revenues**

Unearned revenues represent our liability for gift cards that have been sold but not yet redeemed. 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. Changing our breakage-rate assumption on unredeemed gift cards by 25 basis points would result in an adjustment in our unearned revenues of approximately \$19.0 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.

Assessment of uncertain tax positions requires judgments relating to the amounts, timing and likelihood of resolution. As described in Note 13 to our consolidated financial statements, the \$14.3 million balance of unrecognized tax benefits at May 29, 2016, includes \$1.2 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 \$1.2 million relates to items that would impact our effective income tax rate.

## **LIQUIDITY AND CAPITAL RESOURCES**

Cash flows generated from operating activities are our principal source of liquidity, which we use to finance capital expenditures for new restaurants and to remodel existing restaurants, to pay dividends to our shareholders and to 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 target an investment-grade bond rating, which has historically allowed flexible access to financing at reasonable costs. Currently, our publicly issued long-term debt carries “Baa3” (Moody’s Investors Service), “BBB” (Standard & Poor’s) and “BBB” (Fitch) ratings. Our commercial paper has ratings of “P-3” (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.

During fiscal 2015, we conducted a comprehensive evaluation of a wide range of options for the potential monetization of our real estate portfolio. As a result of this evaluation, we undertook the following strategies:

- Sale-leaseback transactions of 64 restaurant properties, 14 of which closed in the fourth quarter of fiscal 2015 and the remaining 50 transactions closed in fiscal 2016. The 64 transactions generated net proceeds of \$238.0 million.
- Transfer of 424 of our restaurant properties into a REIT, with substantially all of the REIT’s initial assets being leased back to Darden. We completed the spin-off of Four Corners on November 9, 2015. See Note 2 to our consolidated financial statements for further details.
- Sale-leaseback of our corporate headquarters, which was completed in fiscal 2016, generating net proceeds of \$131.0 million.

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 usual for credit facilities of this type. As of May 29, 2016, we were in compliance with all covenants under the Revolving Credit Agreement.

The Revolving Credit Agreement matures on October 24, 2018, 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 highest of the BOA prime rate, the Federal Funds rate plus 0.500 percent, and the Eurocurrency Rate plus 1.00 percent) plus the Applicable Margin. Assuming a “BBB” equivalent credit rating level, the Applicable Margin under the Revolving Credit Agreement will be 1.100 percent for LIBOR loans and 0.100 percent for base rate loans. As of May 29, 2016, we had no outstanding balances under the Revolving Credit Agreement.

At May 29, 2016, our long-term debt consisted principally of:

- \$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.

During fiscal 2016, utilizing the proceeds of the Four Corners cash dividend, cash proceeds from the sale-leasebacks of restaurant properties and our corporate headquarters and additional cash on hand, we retired approximately \$1.03 billion aggregate principal of long-term debt consisting of:

- \$285.0 million of our variable-rate term loan, maturing in August 2017;
- \$500.0 million of unsecured 6.200 percent senior notes due in October 2017;
- \$121.9 million of unsecured 4.500 percent senior notes due in October 2021;
- \$111.1 million of unsecured 3.350 percent senior notes due in November 2022; and
- \$10.0 million of unsecured 4.520 percent senior notes due in August 2024.

During fiscal 2016, we recorded approximately \$106.8 million of expenses associated with the \$1.03 billion aggregate principal retirement including cash costs of approximately \$68.7 million for repurchase premiums, make-whole amounts and hedge settlements and non-cash charges of approximately \$38.1 million associated with hedge and loan cost write-offs. These amounts were recorded in interest, net, in our consolidated statement of earnings. Excluding these one-time retirement costs, we expect these debt retirements to reduce our interest expense by approximately \$50.0 million annually.

The interest rate on our \$300.0 million 6.800 percent senior notes due October 2037 is 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. In October 2014, Moody's Investors Service downgraded our senior unsecured ratings to "Ba1" from "Baa3" resulting in an increase of 0.250 percent in the interest rates on our senior notes due in October 2037. In April 2016, Moody's Investors Service subsequently upgraded our rating to "Baa3" and the interest rate was restored to the initial rate.

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.

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

From time to time, we enter into interest rate derivative instruments to manage interest rate risk inherent in our operations. See Note 8 to our consolidated financial statements.

A summary of our contractual obligations and commercial commitments at May 29, 2016, 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 |  |
| Long-term debt (1)                   | \$ 1,080.2             | \$ 30.2          | \$ 60.3   | \$ 60.3   | \$ 929.4          |  |
| Leases (2)                           | 3,060.9                | 310.6            | 585.7     | 515.3     | 1,649.3           |  |
| Purchase obligations (3)             | 378.6                  | 318.0            | 50.7      | 9.9       | —                 |  |
| Benefit obligations (4)              | 379.6                  | 27.1             | 58.7      | 73.5      | 220.3             |  |
| Unrecognized income tax benefits (5) | 15.1                   | 1.3              | 2.4       | 11.4      | —                 |  |
| Total contractual obligations        | \$ 4,914.4             | \$ 687.2         | \$ 757.8  | \$ 670.4  | \$ 2,799.0        |  |

| (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) | \$ 124.9                                   | \$ 124.9         | \$ —      | \$ —      | \$ —              |  |
| Guarantees (7)                | 154.2                                      | 36.6             | 58.3      | 35.9      | 23.4              |  |
| Total commercial commitments  | \$ 279.1                                   | \$ 161.5         | \$ 58.3   | \$ 35.9   | \$ 23.4           |  |

- (1) Includes interest payments associated with existing long-term debt, including the current portion. Excludes discount and issuance costs of \$10.0 million.
- (2) Inclusive of all arrangements accounted for as operating, capital and financing leases. Includes imputed interest of \$76.6 million over the life of financing lease obligations and imputed interest of \$27.0 million over the life of capital lease obligations.
- (3) Includes commitments for food and beverage items and supplies, capital projects, information technology and other miscellaneous commitments.
- (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 2026.
- (5) Includes interest on unrecognized income tax benefits of \$0.7 million, \$0.1 million of which relates to contingencies expected to be resolved within one year.
- (6) Includes letters of credit for \$116.5 million of workers' compensation and general liabilities accrued in our consolidated financial statements and letters of credit for \$8.4 million related to contractual operating lease obligations and other payments.
- (7) Consists solely of guarantees associated with leased properties that have been assigned to third parties and are primarily related to the disposition of Red Lobster. 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 2.7 times and 1.7 times, on a continuing operations basis, for the fiscal years ended May 29, 2016 and May 31, 2015, respectively. Our adjusted debt to adjusted total capital ratio (which includes 6.25 times the total annual minimum rent on a consolidated basis of \$ 248.5 million and \$ 182.1 million for the fiscal years ended May 29, 2016 and May 31, 2015, respectively, as components of adjusted debt and adjusted total capital) was 53 percent and 55 percent as of May 29, 2016 and May 31, 2015, 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 29, 2016 | May 31, 2015 |
|-------------------------------------------------------------------|--------------|--------------|
| CAPITAL STRUCTURE                                                 |              |              |
| Current portion long-term debt                                    | \$ —         | \$ 15.0      |
| Long-term debt, excluding unamortized discount and issuance costs | 450.0        | 1,466.6      |
| Capital lease obligations                                         | 52.0         | 54.5         |
| Total debt                                                        | \$ 502.0     | \$ 1,536.1   |
| Stockholders' equity                                              | 1,952.0      | 2,333.5      |
| Total capital                                                     | \$ 2,454.0   | \$ 3,869.6   |
| CALCULATION OF ADJUSTED CAPITAL                                   |              |              |
| Total debt                                                        | \$ 502.0     | \$ 1,536.1   |
| Lease-debt equivalent                                             | 1,553.1      | 1,138.1      |
| Guarantees                                                        | 154.2        | 147.7        |
| Adjusted debt                                                     | \$ 2,209.3   | \$ 2,821.9   |
| Stockholders' equity                                              | 1,952.0      | 2,333.5      |
| Adjusted total capital                                            | \$ 4,161.3   | \$ 5,155.4   |
| CAPITAL STRUCTURE RATIOS                                          |              |              |
| Debt to total capital ratio                                       | 20%          | 40%          |
| Adjusted debt to adjusted total capital ratio                     | 53%          | 55%          |

Net cash flows provided by operating activities from continuing operations were \$820.4 million, \$874.3 million and \$555.4 million in fiscal 2016, 2015 and 2014, respectively. Net cash flows provided by operating activities include net earnings from continuing operations of \$359.7 million, \$196.4 million and \$183.2 million in fiscal 2016, 2015 and 2014, respectively. Net cash flows provided by operating activities from continuing operations decreased in fiscal 2016 primarily due to current period activity of taxable timing differences and the timing of inventory purchases, offset by higher net earnings from continuing operations. Net cash flows provided by operating activities from continuing operations increased in fiscal 2015 primarily due to higher net earnings from continuing operations, a reduction in current period continuing operations income taxes paid and the timing of inventory purchases.

Net cash flows provided by investing activities from continuing operations were \$75.4 million in fiscal 2016 compared to net cash flows used in investing activities from continuing operations of \$235.1 million and \$436.3 million in fiscal 2015 and 2014, respectively. Proceeds from the disposal of land, buildings and equipment of \$325.2 million in fiscal 2016 reflect the impact of closed sale-leaseback transactions. Capital expenditures incurred principally for building new restaurants, remodeling existing restaurants, replacing equipment, and technology initiatives were \$228.3 million in fiscal 2016, compared to \$296.5 million in fiscal 2015 and \$414.8 million in fiscal 2014. The decreasing trend of expenditures from fiscal 2014 to fiscal 2016 results primarily from decreases in remodel and new restaurant activity.

Net cash flows used in financing activities from continuing operations were \$1.12 billion in fiscal 2016, compared to \$1.78 billion in fiscal 2015 and \$179.2 million in fiscal 2014. Net cash flows used in financing activities in fiscal 2016 reflected long-term debt payments of \$1.10 billion, including repurchase premiums and make-whole provisions, dividend payments of \$268.2 million and share repurchases of \$184.8 million, partially offset by the \$315.0 million cash dividend received by us from Four Corners and

proceeds from the exercise of employee stock options. Net cash flows used in financing activities in fiscal 2015 reflected long-term debt payments of \$1.07 billion , including repurchase premiums and make-whole provisions, dividend payments of \$278.9 million , share repurchases of \$502.3 million and net repayments of short-term debt \$207.6 million , partially offset by proceeds from the exercise of employee stock options. Net cash flows used in financing activities in fiscal 2014 included dividend payments of \$288.3 million , partially offset by net proceeds from the issuance of short-term debt and from the exercise of employee stock options.

Our defined benefit and other postretirement benefit costs and liabilities are determined using various actuarial assumptions and methodologies prescribed under Financial Accounting Standards Board Accounting Standards Codification 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 and expected long-term rate of return on plan assets. 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 29, 2016 , our discount rate was 4.2 percent and 4.0 percent , respectively, for our defined benefit and postretirement benefit plans. The expected long-term rate of return on plan assets is 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 expected long-term rate of return on plan assets for our defined benefit plans was 6.5 percent for fiscal year 2016 , 7.0 percent for fiscal year 2015 and 8.0 percent for fiscal year 2014 . In fiscal 2016 , we made defined benefit plans contributions of approximately \$25.4 million , which included a voluntary funding contribution of \$25.0 million. We made defined benefit plans contributions of approximately \$0.4 million and \$0.4 million in fiscal years 2015 and 2014 , respectively.

We have a recognized net loss of \$87.9 million (net of tax) and a recognized net gain of \$2.4 million (net of tax) as components of accumulated other comprehensive income (loss) for the defined benefit plans and postretirement benefit plan, respectively, as of May 29, 2016 . These net gains and 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 loss component of our fiscal 2017 net periodic benefit cost for the defined benefit plans is expected to be approximately \$2.0 million (net of tax). The amortization of the net gain component of our fiscal 2017 net periodic benefit cost for the postretirement benefit plan is expected to be approximately \$1.9 million (net of tax).

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. 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 \$1.3 million to our postretirement benefit plan during fiscal 2017 .

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 2017 .

## **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 \$820.3 million at May 29, 2016 , compared with \$1.06 billion at May 31, 2015 . The decrease was primarily due to the decrease in cash and cash equivalents driven by the pay down of our long-term debt.

Our total current liabilities were \$1.19 billion at May 29, 2016 , compared with \$1.20 billion at May 31, 2015 . The decrease was primarily due to a decrease in other current liabilities related to the recognition of contingent proceeds from the sale of Red Lobster offset by an increase in unearned revenues associated with gift card sales in excess of redemptions.

## **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 8 to our consolidated financial statements).

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 29, 2016, 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 \$25.2 million over a period of one year. 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 \$73.0 million. The fair value of our long-term fixed-rate debt outstanding as of May 29, 2016, averaged \$492.2 million, with a high of \$536.8 million and a low of \$462.1 million during fiscal 2016. 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

See Note 1 to our consolidated financial statements for a discussion of recently issued accounting standards.

## 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 2017, 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,” “outlook” 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 29, 2016, which are summarized as follows:

- 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;
- 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 environmental matters, minimum wage, unionization, data privacy, menu labeling, immigration requirements and taxes;
- The inability to cancel long-term, non-cancelable leases that we may want to cancel or the inability to renew the leases that we may want to extend at the end of their terms;
- Labor and insurance costs;
- 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;
- Our plans to expand our smaller brands Bahama Breeze, Seasons 52 and Eddie V's, and the testing of other new business ventures that have not yet proven their long-term viability;
- 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 guest relationship tactics and ineffective or improper use of social media or other marketing initiatives;

- 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 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 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 over financial reporting that provides reasonable assurance that assets are adequately safeguarded and transactions are recorded accurately, in all material respects, in accordance with management's authorization. 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. We also maintain a strong audit program that independently evaluates the adequacy of the design and effectiveness of these internal controls.

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.

## **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 29, 2016 . 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 (2013)* . Management has concluded that, as of May 29, 2016 , 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.

/s/ Eugene I. Lee, Jr.  
Eugene I. Lee, Jr.  
*President and Chief Executive Officer*

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders  
Darden Restaurants, Inc.:

We have audited Darden Restaurants, Inc. and subsidiaries' internal control over financial reporting as of May 29, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* 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 29, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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. as of May 29, 2016 and May 31, 2015, 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 29, 2016, and our report dated July 25, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Orlando, Florida  
July 25, 2016  
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 29, 2016 and May 31, 2015 , 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 29, 2016 . 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. as of May 29, 2016 and May 31, 2015 , and the results of their operations and their cash flows for each of the years in the three-year period ended May 29, 2016 , 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 29, 2016 , based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated July 25, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Orlando, Florida  
July 25, 2016  
Certified Public Accountants

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

|                                                                                                      | May 29, 2016 | May 31, 2015 | May 25, 2014 |
|------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|
| Sales                                                                                                | \$ 6,933.5   | \$ 6,764.0   | \$ 6,285.6   |
| Costs and expenses:                                                                                  |              |              |              |
| Food and beverage                                                                                    | 2,039.7      | 2,085.1      | 1,892.2      |
| Restaurant labor                                                                                     | 2,189.2      | 2,135.6      | 2,017.6      |
| Restaurant expenses                                                                                  | 1,163.5      | 1,120.8      | 1,080.7      |
| Marketing expenses                                                                                   | 238.0        | 243.3        | 252.3        |
| General and administrative expenses                                                                  | 384.9        | 430.2        | 413.1        |
| Depreciation and amortization                                                                        | 290.2        | 319.3        | 304.4        |
| Impairments and disposal of assets, net                                                              | 5.8          | 62.1         | 16.4         |
| Total operating costs and expenses                                                                   | \$ 6,311.3   | \$ 6,396.4   | \$ 5,976.7   |
| Operating income                                                                                     | 622.2        | 367.6        | 308.9        |
| Interest, net                                                                                        | 172.5        | 192.3        | 134.3        |
| Earnings before income taxes                                                                         | 449.7        | 175.3        | 174.6        |
| Income tax expense (benefit)                                                                         | 90.0         | (21.1)       | (8.6)        |
| Earnings from continuing operations                                                                  | \$ 359.7     | \$ 196.4     | \$ 183.2     |
| Earnings from discontinued operations, net of tax expense of \$3.4, \$344.8 and \$32.3, respectively | 15.3         | 513.1        | 103.0        |
| Net earnings                                                                                         | \$ 375.0     | \$ 709.5     | \$ 286.2     |
| Basic net earnings per share:                                                                        |              |              |              |
| Earnings from continuing operations                                                                  | \$ 2.82      | \$ 1.54      | \$ 1.40      |
| Earnings from discontinued operations                                                                | 0.12         | 4.02         | 0.78         |
| Net earnings                                                                                         | \$ 2.94      | \$ 5.56      | \$ 2.18      |
| Diluted net earnings per share:                                                                      |              |              |              |
| Earnings from continuing operations                                                                  | \$ 2.78      | \$ 1.51      | \$ 1.38      |
| Earnings from discontinued operations                                                                | 0.12         | 3.96         | 0.77         |
| Net earnings                                                                                         | \$ 2.90      | \$ 5.47      | \$ 2.15      |
| Average number of common shares outstanding:                                                         |              |              |              |
| Basic                                                                                                | 127.4        | 127.7        | 131.0        |
| Diluted                                                                                              | 129.3        | 129.7        | 133.2        |
| Dividends declared per common share                                                                  | \$ 2.10      | \$ 2.20      | \$ 2.20      |

See accompanying notes to consolidated financial statements.

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

|                                                                                                                                                                       | May 29, 2016 | May 31, 2015 | May 25, 2014 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|
| Net earnings                                                                                                                                                          | \$ 375.0     | \$ 709.5     | \$ 286.2     |
| Other comprehensive income (loss):                                                                                                                                    |              |              |              |
| Foreign currency adjustment                                                                                                                                           | 0.5          | 3.0          | (2.9)        |
| Change in fair value of marketable securities, net of taxes of \$0.0, \$0.0 and \$0.0, respectively                                                                   | —            | —            | (0.1)        |
| Change in fair value of derivatives and amortization of unrecognized gains and losses on derivatives, net of taxes of \$14.3, \$17.4 and \$3.9, respectively          | 23.0         | 31.3         | 3.4          |
| Net unamortized gain (loss) arising during period, including amortization of unrecognized net actuarial loss, net of taxes of \$(16.0), \$4.8 and \$2.9, respectively | (23.9)       | 7.2          | 4.3          |
| Other comprehensive income (loss)                                                                                                                                     | \$ (0.4)     | \$ 41.5      | \$ 4.7       |
| Total comprehensive income                                                                                                                                            | \$ 374.6     | \$ 751.0     | \$ 290.9     |

See accompanying notes to consolidated financial statements.

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

|                                                                                                                                                                | May 29, 2016 | May 31, 2015 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| <b>ASSETS</b>                                                                                                                                                  |              |              |
| Current assets:                                                                                                                                                |              |              |
| Cash and cash equivalents                                                                                                                                      | \$ 274.8     | \$ 535.9     |
| Receivables, net                                                                                                                                               | 64.0         | 78.0         |
| Inventories                                                                                                                                                    | 175.4        | 163.9        |
| Prepaid income taxes                                                                                                                                           | 46.1         | 18.9         |
| Prepaid expenses and other current assets                                                                                                                      | 76.4         | 69.4         |
| Deferred income taxes                                                                                                                                          | 163.3        | 157.4        |
| Assets held for sale                                                                                                                                           | 20.3         | 32.9         |
| Total current assets                                                                                                                                           | \$ 820.3     | \$ 1,056.4   |
| Land, buildings and equipment, net                                                                                                                             | 2,041.6      | 3,215.8      |
| Goodwill                                                                                                                                                       | 872.3        | 872.4        |
| Trademarks                                                                                                                                                     | 574.6        | 574.6        |
| Other assets                                                                                                                                                   | 273.8        | 275.5        |
| Total assets                                                                                                                                                   | \$ 4,582.6   | \$ 5,994.7   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                                    |              |              |
| Current liabilities:                                                                                                                                           |              |              |
| Accounts payable                                                                                                                                               | \$ 241.9     | \$ 198.8     |
| Accrued payroll                                                                                                                                                | 135.1        | 141.1        |
| Accrued income taxes                                                                                                                                           | —            | 12.6         |
| Other accrued taxes                                                                                                                                            | 49.1         | 51.5         |
| Unearned revenues                                                                                                                                              | 360.4        | 328.6        |
| Current portion of long-term debt                                                                                                                              | —            | 15.0         |
| Other current liabilities                                                                                                                                      | 400.6        | 449.1        |
| Total current liabilities                                                                                                                                      | \$ 1,187.1   | \$ 1,196.7   |
| Long-term debt, less current portion                                                                                                                           | 440.0        | 1,452.3      |
| Deferred income taxes                                                                                                                                          | 255.2        | 341.8        |
| Deferred rent                                                                                                                                                  | 249.7        | 225.9        |
| Other liabilities                                                                                                                                              | 498.6        | 444.5        |
| Total liabilities                                                                                                                                              | \$ 2,630.6   | \$ 3,661.2   |
| Stockholders' equity:                                                                                                                                          |              |              |
| Common stock and surplus, no par value. Authorized 500.0 shares; issued 127.5 and 127.9 shares, respectively; outstanding 126.2 and 126.7 shares, respectively | 1,502.6      | 1,405.9      |
| Preferred stock, no par value. Authorized 25.0 shares; none issued and outstanding                                                                             | —            | —            |
| Retained earnings                                                                                                                                              | 547.5        | 1,026.0      |
| Treasury stock, 1.3 and 1.3 shares, at cost, respectively                                                                                                      | (7.8)        | (7.8)        |
| Accumulated other comprehensive income (loss)                                                                                                                  | (87.0)       | (86.6)       |
| Unearned compensation                                                                                                                                          | (3.3)        | (4.0)        |
| Total stockholders' equity                                                                                                                                     | \$ 1,952.0   | \$ 2,333.5   |
| Total liabilities and stockholders' equity                                                                                                                     | \$ 4,582.6   | \$ 5,994.7   |

See accompanying notes to consolidated financial statements.

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

|                                                                                      | Common<br>Stock<br>And<br>Surplus | Retained<br>Earnings | Treasury<br>Stock | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Unearned<br>Compensation | Total<br>Stockholders'<br>Equity |
|--------------------------------------------------------------------------------------|-----------------------------------|----------------------|-------------------|--------------------------------------------------------|--------------------------|----------------------------------|
| Balances at May 26, 2013                                                             | \$ 1,207.6                        | \$ 998.9             | \$ (8.1)          | \$ (132.8)                                             | \$ (6.1)                 | \$ 2,059.5                       |
| Net earnings                                                                         | —                                 | 286.2                | —                 | —                                                      | —                        | 286.2                            |
| Other comprehensive income                                                           | —                                 | —                    | —                 | 4.7                                                    | —                        | 4.7                              |
| Dividends declared (\$2.20 per share)                                                | —                                 | (288.9)              | —                 | —                                                      | —                        | (288.9)                          |
| Stock option exercises (1.8 shares)                                                  | 50.6                              | —                    | 0.3               | —                                                      | —                        | 50.9                             |
| Stock-based compensation                                                             | 26.0                              | —                    | —                 | —                                                      | —                        | 26.0                             |
| ESOP note receivable repayments                                                      | —                                 | —                    | —                 | —                                                      | 0.9                      | 0.9                              |
| Income tax benefits credited to equity                                               | 10.9                              | —                    | —                 | —                                                      | —                        | 10.9                             |
| Repurchases of common stock (0.0 shares)                                             | (0.1)                             | (0.4)                | —                 | —                                                      | —                        | (0.5)                            |
| Issuance of stock under Employee Stock Purchase Plan<br>and other plans (0.2 shares) | 7.2                               | —                    | —                 | —                                                      | —                        | 7.2                              |
| Balances at May 25, 2014                                                             | \$ 1,302.2                        | \$ 995.8             | \$ (7.8)          | \$ (128.1)                                             | \$ (5.2)                 | \$ 2,156.9                       |
| Net earnings                                                                         | —                                 | 709.5                | —                 | —                                                      | —                        | 709.5                            |
| Other comprehensive income                                                           | —                                 | —                    | —                 | 41.5                                                   | —                        | 41.5                             |
| Dividends declared (\$2.20 per share)                                                | —                                 | (279.5)              | —                 | —                                                      | —                        | (279.5)                          |
| Stock option exercises (4.2 shares)                                                  | 154.6                             | —                    | —                 | —                                                      | —                        | 154.6                            |
| Stock-based compensation                                                             | 26.4                              | —                    | —                 | —                                                      | —                        | 26.4                             |
| ESOP note receivable repayments                                                      | —                                 | —                    | —                 | —                                                      | 1.2                      | 1.2                              |
| Income tax benefits credited to equity                                               | 18.4                              | —                    | —                 | —                                                      | —                        | 18.4                             |
| Repurchases of common stock (10.0 shares)                                            | (102.5)                           | (399.8)              | —                 | —                                                      | —                        | (502.3)                          |
| Issuance of stock under Employee Stock Purchase Plan<br>and other plans (0.1 shares) | 6.8                               | —                    | —                 | —                                                      | —                        | 6.8                              |
| Balances at May 31, 2015                                                             | \$ 1,405.9                        | \$ 1,026.0           | \$ (7.8)          | \$ (86.6)                                              | \$ (4.0)                 | \$ 2,333.5                       |
| Net earnings                                                                         | —                                 | 375.0                | —                 | —                                                      | —                        | 375.0                            |
| Other comprehensive income                                                           | —                                 | —                    | —                 | (0.4)                                                  | —                        | (0.4)                            |
| Dividends declared (\$2.10 per share)                                                | —                                 | (268.2)              | —                 | —                                                      | —                        | (268.2)                          |
| Stock option exercises (2.4 shares)                                                  | 94.4                              | —                    | —                 | —                                                      | —                        | 94.4                             |
| Stock-based compensation                                                             | 14.9                              | —                    | —                 | —                                                      | —                        | 14.9                             |
| ESOP note receivable repayments                                                      | —                                 | —                    | —                 | —                                                      | 0.6                      | 0.6                              |
| Income tax benefits credited to equity                                               | 17.5                              | —                    | —                 | —                                                      | —                        | 17.5                             |
| Repurchases of common stock (3.0 shares)                                             | (34.9)                            | (149.9)              | —                 | —                                                      | —                        | (184.8)                          |
| Issuance of stock under Employee Stock Purchase Plan<br>and other plans (0.2 shares) | 4.8                               | —                    | —                 | —                                                      | 0.1                      | 4.9                              |
| Separation of Four Corners Property Trust                                            | —                                 | (435.4)              | —                 | —                                                      | —                        | (435.4)                          |
| Balances at May 29, 2016                                                             | \$ 1,502.6                        | \$ 547.5             | \$ (7.8)          | \$ (87.0)                                              | \$ (3.3)                 | \$ 1,952.0                       |

See accompanying notes to consolidated financial statements.

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

|                                                                                 | Fiscal Year Ended |              |              |
|---------------------------------------------------------------------------------|-------------------|--------------|--------------|
|                                                                                 | May 29, 2016      | May 31, 2015 | May 25, 2014 |
| <b>Cash flows - operating activities</b>                                        |                   |              |              |
| Net earnings                                                                    | \$ 375.0          | \$ 709.5     | \$ 286.2     |
| Earnings from discontinued operations, net of tax                               | (15.3)            | (513.1)      | (103.0)      |
| Adjustments to reconcile net earnings from continuing operations to cash flows: |                   |              |              |
| Depreciation and amortization                                                   | 290.2             | 319.3        | 304.4        |
| Impairments and disposal of assets, net                                         | 5.8               | 62.1         | 16.4         |
| Amortization of loan costs and losses on interest-rate related derivatives      | 3.6               | 8.6          | 13.8         |
| Stock-based compensation expense                                                | 37.3              | 53.7         | 38.7         |
| Change in current assets and liabilities                                        | 13.7              | 76.3         | 0.6          |
| Contributions to pension and postretirement plans                               | (26.5)            | (1.5)        | (1.4)        |
| Change in cash surrender value of trust-owned life insurance                    | 3.3               | (6.5)        | (12.2)       |
| Deferred income taxes                                                           | (10.8)            | 42.0         | (44.9)       |
| Change in deferred rent                                                         | 23.8              | 22.0         | 29.5         |
| Change in other assets and liabilities                                          | 5.3               | 3.8          | 18.9         |
| Loss on extinguishment of debt                                                  | 106.8             | 91.3         | —            |
| Other, net                                                                      | 8.2               | 6.8          | 8.4          |
| Net cash provided by operating activities of continuing operations              | \$ 820.4          | \$ 874.3     | \$ 555.4     |
| <b>Cash flows - investing activities</b>                                        |                   |              |              |
| Purchases of land, buildings and equipment                                      | (228.3)           | (296.5)      | (414.8)      |
| Proceeds from disposal of land, buildings and equipment                         | 325.2             | 67.9         | 4.4          |
| Purchases of marketable securities                                              | —                 | —            | (3.0)        |
| Proceeds from sale of marketable securities                                     | 1.8               | 9.7          | 8.7          |
| Purchases of capitalized software and other assets                              | (23.3)            | (16.2)       | (31.6)       |
| Net cash provided by (used in) investing activities of continuing operations    | \$ 75.4           | \$ (235.1)   | \$ (436.3)   |
| <b>Cash flows - financing activities</b>                                        |                   |              |              |
| Proceeds from issuance of common stock                                          | 99.3              | 159.7        | 58.1         |
| Income tax benefits credited to equity                                          | 17.5              | 18.4         | 10.9         |
| Special cash distribution from Four Corners Property Trust                      | 315.0             | —            | —            |
| Dividends paid                                                                  | (268.2)           | (278.9)      | (288.3)      |
| Repurchases of common stock                                                     | (184.8)           | (502.3)      | (0.5)        |
| ESOP note receivable repayments                                                 | 0.6               | 1.2          | 0.9          |
| Proceeds from issuance of short-term debt                                       | —                 | 397.4        | 2,616.3      |
| Repayments of short-term debt                                                   | —                 | (605.0)      | (2,573.2)    |
| Repayments of long-term debt                                                    | (1,096.8)         | (1,065.9)    | —            |
| Payment of debt issuance costs                                                  | —                 | —            | (1.4)        |
| Principal payments on capital leases                                            | (3.4)             | (2.2)        | (2.0)        |
| Proceeds from financing lease obligation                                        | —                 | 93.1         | —            |
| Net cash used in financing activities of continuing operations                  | \$ (1,120.8)      | \$ (1,784.5) | \$ (179.2)   |
| <b>Cash flows - discontinued operations</b>                                     |                   |              |              |
| Net cash provided by (used in) operating activities of discontinued operations  | (42.4)            | (403.3)      | 214.7        |
| Net cash provided by (used in) investing activities of discontinued operations  | 6.3               | 1,986.2      | (144.5)      |
| Net cash provided by (used in) discontinued operations                          | \$ (36.1)         | \$ 1,582.9   | \$ 70.2      |
| Increase (decrease) in cash and cash equivalents                                | (261.1)           | 437.6        | 10.1         |
| Cash and cash equivalents - beginning of year                                   | 535.9             | 98.3         | 88.2         |
| Cash and cash equivalents - end of year                                         | \$ 274.8          | \$ 535.9     | \$ 98.3      |



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

|                                                           | Fiscal Year Ended |              |              |
|-----------------------------------------------------------|-------------------|--------------|--------------|
|                                                           | May 29, 2016      | May 31, 2015 | May 25, 2014 |
| Cash flows from changes in current assets and liabilities |                   |              |              |
| Receivables, net                                          | \$ 14.0           | \$ 7.8       | \$ (1.5)     |
| Inventories                                               | (11.8)            | 64.5         | (25.6)       |
| Prepaid expenses and other current assets                 | (10.8)            | 2.9          | 0.5          |
| Accounts payable                                          | 45.6              | (20.9)       | 27.2         |
| Accrued payroll                                           | (5.9)             | 23.4         | 7.5          |
| Prepaid/accrued income taxes                              | (21.3)            | (13.8)       | (21.0)       |
| Other accrued taxes                                       | (1.4)             | 2.2          | —            |
| Unearned revenues                                         | 46.0              | 34.9         | 28.8         |
| Other current liabilities                                 | (40.7)            | (24.7)       | (15.3)       |
| Change in current assets and liabilities                  | \$ 13.7           | \$ 76.3      | \$ 0.6       |

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<sup>®</sup>, LongHorn Steakhouse<sup>®</sup>, The Capital Grille<sup>®</sup>, Yard House<sup>®</sup>, Bahama Breeze<sup>®</sup>, Seasons 52<sup>®</sup>, and Eddie V's Prime Seafood<sup>®</sup> and Wildfish Seafood Grille<sup>®</sup> (collectively, "Eddie V's") 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 6 joint venture restaurants managed by us and 18 franchised restaurants. We also have 32 franchised restaurants in operation located in Latin America, the Middle East and Malaysia. All significant intercompany balances and transactions have been eliminated in consolidation.

#### *Basis of Presentation*

On May 15, 2014, we entered into an agreement to sell Red Lobster and certain related assets and associated liabilities and closed the sale on July 28, 2014. For fiscal 2016, 2015 and 2014, all gains and losses on disposition, impairment charges and disposal costs, along with the sales, costs and expenses and income taxes attributable to the discontinued locations, have been aggregated in a single caption entitled "Earnings from discontinued operations, net of tax expense" in our consolidated statements of earnings for all periods presented. See Note 3 for additional information.

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 2016, which ended May 29, 2016, consisted of 52 weeks. Fiscal 2015, which ended May 31, 2015, consisted of 53 weeks and fiscal 2014, which ended May 25, 2014, consisted of 52 weeks.

#### *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 and 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. The components of cash and cash equivalents are as follows:

| (in millions)                   | May 29, 2016 | May 31, 2015 |
|---------------------------------|--------------|--------------|
| Short-term investments          | \$ 166.7     | \$ 455.5     |
| Credit card receivables         | 81.1         | 77.8         |
| Depository accounts             | 27.0         | 2.6          |
| Total Cash and Cash Equivalents | \$ 274.8     | \$ 535.9     |

As of May 29, 2016, and May 31, 2015, we had cash and cash equivalent accounts in excess of insured limits. We manage the credit risk of our positions through utilizing multiple financial institutions and monitoring the credit quality of those financial institutions that hold our cash and cash equivalents.

#### *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 12.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

### ***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 15 years also using the straight-line method. See Note 5 for additional information. Gains and losses on the disposal of land, buildings and equipment are included in impairments and disposal of assets, net, while the write-off of undepreciated book value associated with the replacement of equipment in the normal course of business is recorded as a component of restaurant expenses in our accompanying consolidated statements of earnings. Depreciation and amortization expense from continuing operations associated with buildings and equipment and losses on replacement of equipment were as follows:

| (in millions)                                            | Fiscal Year |          |          |
|----------------------------------------------------------|-------------|----------|----------|
|                                                          | 2016        | 2015     | 2014     |
| Depreciation and amortization on buildings and equipment | \$ 274.4    | \$ 305.0 | \$ 296.3 |
| Losses on replacement of equipment                       | 5.5         | 5.5      | 4.4      |

### ***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 29, 2016 | May 31, 2015 |
|-------------------------------------------------------|--------------|--------------|
| Capitalized software                                  | \$ 169.7     | \$ 148.0     |
| Accumulated amortization                              | (93.1)       | (80.4)       |
| Capitalized software, net of accumulated amortization | \$ 76.6      | \$ 67.6      |

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 29, 2016 | May 31, 2015 |
|-------------------------------------------------------------------------|--------------|--------------|
| Other definite-lived intangibles                                        | \$ 14.2      | \$ 15.1      |
| Accumulated amortization                                                | (7.3)        | (7.3)        |
| Other definite-lived intangible assets, net of accumulated amortization | \$ 6.9       | \$ 7.8       |
| Below-market leases                                                     | \$ 29.2      | \$ 29.2      |
| Accumulated amortization                                                | (13.3)       | (11.5)       |
| Below-market leases, net of accumulated amortization                    | \$ 15.9      | \$ 17.7      |
| Above-market leases                                                     | \$ (21.4)    | \$ (21.4)    |
| Accumulated amortization                                                | 8.3          | 6.4          |
| Above-market leases, net of accumulated amortization                    | \$ (13.1)    | \$ (15.0)    |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Amortization expense from continuing operations 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 |         |        |
|---------------------------------------------------------|-------------|---------|--------|
|                                                         | 2016        | 2015    | 2014   |
| Amortization expense - capitalized software             | \$ 14.9     | \$ 13.3 | \$ 7.0 |
| Amortization expense - other definite-lived intangibles | 0.9         | 1.0     | 1.1    |

Amortization expense from continuing operations 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 |        |        |
|------------------------------------------|-------------|--------|--------|
|                                          | 2016        | 2015   | 2014   |
| Restaurant expense - below-market leases | \$ 1.8      | \$ 1.8 | \$ 1.8 |
| Restaurant expense - above-market leases | (1.4)       | (1.4)  | (1.4)  |

Amortization of capitalized software and other definite-lived intangible assets will be approximately \$17.6 million annually for fiscal 2017 through 2021 .

### ***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 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 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)       | Goodwill     |              | Trademarks   |              |
|---------------------|--------------|--------------|--------------|--------------|
|                     | May 29, 2016 | May 31, 2015 | May 29, 2016 | May 31, 2015 |
| Olive Garden (1)    | \$ 30.2      | \$ 30.2      | \$ —         | \$ —         |
| LongHorn Steakhouse | 49.3         | 49.3         | 307.8        | 307.8        |
| The Capital Grille  | 401.6        | 401.7        | 147.0        | 147.0        |
| Yard House          | 369.2        | 369.2        | 109.3        | 109.3        |
| Eddie V's           | 22.0         | 22.0         | 10.5         | 10.5         |
| Total               | \$ 872.3     | \$ 872.4     | \$ 574.6     | \$ 574.6     |

(1) Goodwill related to Olive Garden is associated with the RARE Hospitality International, Inc. (RARE) acquisition and the estimated value of the direct benefits derived by Olive Garden 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

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 for any of our brands.

The fair value of trademarks is 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 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, Eddie V's and Yard House.

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 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, sales prices of comparable assets or discounted future net cash flows expected to be generated by the 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 on 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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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. 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. 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 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 13 for additional information.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 derivatives to manage interest rate and compensation risks inherent in our business operations. Our use of derivative instruments is currently limited to equity forwards 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. 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 8 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 we are reasonably assured to exercise the options. 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. Sale-leasebacks are transactions through which we sell assets (such as restaurant properties) at fair value and subsequently lease them back. The resulting leases generally qualify and are accounted for as operating leases. Financing leases are generally the product of a failed sale-leaseback transaction and result in retention of the "sold" assets within land, buildings and equipment with a financing lease obligation equal to the amount of proceeds received recorded as a component of other liabilities on our consolidated balance sheets.

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. 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. Gains on sale-leaseback transactions are recorded as a deferred 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

### **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 and reported as marketing expenses on our consolidated statements of earnings.

### **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 recognize compensation expense on a straight-line basis over the employee service period for awards granted. We utilize the Black-Scholes option pricing model to estimate the fair value of stock option awards. 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. We utilize a Monte Carlo simulation to estimate the fair value of our market-based equity-settled performance awards. See Note 15 for further information.

### **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, restricted stock and equity-settled performance stock units 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 |          |          |
|---------------------------------------------|-------------|----------|----------|
|                                             | 2016        | 2015     | 2014     |
| Earnings from continuing operations         | \$ 359.7    | \$ 196.4 | \$ 183.2 |
| Earnings from discontinued operations       | 15.3        | 513.1    | 103.0    |
| Net earnings                                | \$ 375.0    | \$ 709.5 | \$ 286.2 |
| Average common shares outstanding – Basic   | 127.4       | 127.7    | 131.0    |
| Effect of dilutive stock-based compensation | 1.9         | 2.0      | 2.2      |
| Average common shares outstanding – Diluted | 129.3       | 129.7    | 133.2    |
| Basic net earnings per share:               |             |          |          |
| Earnings from continuing operations         | \$ 2.82     | \$ 1.54  | \$ 1.40  |
| Earnings from discontinued operations       | 0.12        | 4.02     | 0.78     |
| Net earnings                                | \$ 2.94     | \$ 5.56  | \$ 2.18  |
| Diluted net earnings per share:             |             |          |          |
| Earnings from continuing operations         | \$ 2.78     | \$ 1.51  | \$ 1.38  |
| Earnings from discontinued operations       | 0.12        | 3.96     | 0.77     |
| Net earnings                                | \$ 2.90     | \$ 5.47  | \$ 2.15  |

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 29, 2016      | May 31, 2015 | May 25, 2014 |
| Anti-dilutive restricted stock and options | 0.3               | 0.1          | 4.2          |

### **Foreign Currency**

The Canadian dollar is the functional currency for our Canadian restaurant operations and the Malaysian ringgit is the functional currency for our franchises based in Malaysia. Assets and liabilities denominated in foreign currencies 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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 \$1.2 million and \$1.7 million at May 29, 2016 and May 31, 2015, respectively. Net losses from foreign currency transactions recognized in our consolidated statements of earnings were \$1.8 million and \$1.4 million for fiscal 2016 and 2015, respectively, and was not significant for fiscal 2014.

### Application of New Accounting Standards

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). This update provides a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. This update is effective for annual and interim periods beginning after December 15, 2017, which requires us to adopt these provisions in the first quarter of fiscal 2019. Early adoption is permitted. This update permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect this guidance will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory (Topic 330). This update requires inventory within the scope of the standard to be measured at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This update is effective for annual and interim periods beginning after December 15, 2016, which will require us to adopt these provisions in the first quarter of fiscal 2018. Early adoption is permitted. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes (Topic 740). This update requires that deferred tax liabilities and assets be classified as noncurrent in a classified balance sheet. This update is effective for annual and interim periods beginning after December 15, 2016, which will require us to adopt these provisions in the first quarter of fiscal 2018. Early adoption is permitted. Other than the revised balance sheet presentation of deferred tax liabilities and assets, we do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This update requires a lessee to recognize on the balance sheet a liability to make lease payments and a corresponding right-of-use asset. The guidance also requires certain qualitative and quantitative disclosures about the amount, timing and uncertainty of cash flows arising from leases. This update is effective for annual and interim periods beginning after December 15, 2018, which will require us to adopt these provisions in the first quarter of fiscal 2020 using a modified retrospective approach. Early adoption is permitted. We have not yet selected a transition date nor have we determined the effect of the standard on our ongoing financial reporting.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718). This update was issued as part of the FASB's simplification initiative and affects all entities that issue share-based payment awards to their employees. The amendments in this update cover such areas as the recognition of excess tax benefits and deficiencies, the classification of those excess tax benefits on the statement of cash flows, an accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification and the classification of those taxes paid on the statement of cash flows. This update is effective for annual and interim periods beginning after December 15, 2016, which will require us to adopt these provisions in the first quarter of fiscal 2018. This guidance will be applied either prospectively, retrospectively or using a modified retrospective transition method, depending on the area covered in this update. Early adoption is permitted. We have not yet selected a transition date nor have we determined the effect of the standard on our ongoing financial reporting.

### NOTE 2 - REAL ESTATE TRANSACTIONS

As a result of a comprehensive evaluation for the monetization of our real estate portfolio, we undertook strategies to pursue sale-leaseback transactions of individual restaurant properties and our corporate headquarters and to transfer 424 of our restaurant properties into a REIT, with substantially all of the REIT's initial assets being leased back to Darden.

#### Sale-leasebacks

During fiscal 2015, we implemented a plan to pursue sale-leaseback transactions of 64 restaurant properties. Fourteen of the transactions closed in the fourth quarter of fiscal 2015, and the remaining 50 transactions closed in fiscal 2016. The 64 individual

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

sale-leasebacks generated net proceeds of \$238.0 million, resulting in deferred gains totaling \$49.0 million which will be amortized over the expected leaseback periods on a straight-line basis. Additionally, during fiscal 2016, we completed the sale-leaseback of our corporate headquarters, generating net proceeds of \$131.0 million, resulting in a deferred gain of \$6.3 million, which will be amortized over the expected leaseback period on a straight-line basis.

### REIT Transaction - Separation of Four Corners

On June 23, 2015, we announced our plan to separate our business into two separate and independent publicly traded companies. We accomplished this separation on November 9, 2015, with the pro rata distribution of one share of Four Corners Property Trust, Inc. (Four Corners) common stock for every three shares of Darden common stock to holders of Darden common stock. The separation, which was completed pursuant to a separation and distribution agreement between Darden and Four Corners, included (i) the transfer of 6 LongHorn Steakhouse restaurants located in the San Antonio, Texas area (the LongHorn San Antonio Business) as well as 418 restaurant properties (the Four Corners Properties) to Four Corners, which were subsequently leased back to Darden; (ii) the issuance to us of all of the outstanding common stock of Four Corners and corresponding pro rata distribution to our shareholders of the outstanding shares of Four Corners common stock as a tax-free stock dividend; and (iii) a cash dividend of \$315.0 million received by us from Four Corners from the proceeds of Four Corners' term loan borrowings. We requested and received a private letter ruling from the Internal Revenue Service on certain issues relevant to the qualification of the spin-off as a tax-free transaction.

Our shareholders' equity decreased by \$435.4 million as a result of the separation of Four Corners. The components of the decrease, principally comprised of the net book value of the net assets that we contributed to Four Corners in connection with the separation, included \$834.8 million in net book value of fixed assets, \$84.4 million consisting primarily of deferred tax liabilities, offset by the \$315.0 million cash dividend received by us from Four Corners.

### Agreements with Four Corners

We entered into lease agreements with Four Corners, pursuant to which we leased the Four Corners Properties on a triple-net basis with terms comparable to similar leases negotiated on an arm's-length basis. Under the lease agreements, our subsidiaries are the tenant, while Four Corners is the landlord. The leases are triple-net leases that provide for an average initial term of approximately 15 years with stated annual rental payments and options to extend the leases for another 15 years. Under the lease agreements, the rent is subject to annual escalations of 1.5 percent, as well as, in most of the leases, a fair market value adjustment at the start of one of the renewal options.

We entered into franchise agreements with Four Corners pursuant to which we provide certain franchising services to Four Corners' subsidiary which operates the LongHorn San Antonio Business. The franchising services consist of licensing the right to use and display certain trademarks in connection with the operation of the LongHorn San Antonio Business, marketing services, training and access to certain LongHorn operating procedures. The fees and conditions of these franchising services are on terms comparable to similar franchising services negotiated on an arm's-length basis.

### Debt Retirement

During fiscal 2016, utilizing the proceeds of the Four Corners cash dividend, cash proceeds from the sale-leasebacks of restaurant properties and our corporate headquarters and additional cash on hand, we retired approximately \$1.03 billion aggregate principal of long-term debt (see Note 7 for additional details).

### NOTE 3 – DISPOSITIONS

On July 28, 2014, we closed on the sale of 705 Red Lobster restaurants. All direct cash flows related to operating these businesses were eliminated at the date of sale. Our continuing involvement has primarily been limited to a transition services agreement, pursuant to which we provide limited, specific services for up to two years from the date of sale with minimal impact to our cash flows. In total, we have recognized a pre-tax gain on the sale of Red Lobster of \$854.8 million, which is included in earnings from discontinued operations in our consolidated statements of earnings.

For fiscal 2016, 2015 and 2014, all gains on disposition, impairment charges and disposal costs, along with the sales, costs and expenses and income taxes attributable to these restaurants, have been aggregated in a single caption entitled "Earnings (loss) from discontinued operations, net of tax expense (benefit)" in our consolidated statements of earnings for all periods presented. No amounts for shared general and administrative operating support expense or interest expense were allocated to discontinued operations. Assets associated with those restaurants not yet disposed of, that are considered held for sale, have been segregated from continuing operations and are included in assets held for sale on our accompanying consolidated balance sheets.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Earnings from discontinued operations, net of taxes in our accompanying consolidated statements of earnings are comprised of the following:

| (in millions)                                     | Fiscal Year Ended |              |              |
|---------------------------------------------------|-------------------|--------------|--------------|
|                                                   | May 29, 2016      | May 31, 2015 | May 25, 2014 |
| Sales                                             | \$ —              | \$ 400.4     | \$ 2,472.1   |
| Costs and expenses:                               |                   |              |              |
| Restaurant and marketing expenses                 | 1.8               | 353.0        | 2,134.1      |
| Depreciation and amortization                     | —                 | 0.2          | 124.6        |
| Other income and expenses (1)                     | (20.5)            | (810.7)      | 78.1         |
| Earnings before income taxes                      | 18.7              | 857.9        | 135.3        |
| Income tax expense                                | 3.4               | 344.8        | 32.3         |
| Earnings from discontinued operations, net of tax | \$ 15.3           | \$ 513.1     | \$ 103.0     |

(1) Amounts for fiscal years 2016 and 2015 primarily relate to the gain recognized on the sale of Red Lobster.

Assets classified as held for sale on our accompanying consolidated balance sheets as of May 29, 2016, consisted of land, buildings and equipment with carrying amounts of \$20.3 million primarily related to excess land parcels adjacent to our corporate headquarters. Assets classified as held for sale on our accompanying consolidated balance sheets as of May 31, 2015 consisted of land, buildings and equipment with carrying amounts of \$32.9 million related to Red Lobster properties subject to landlord consents and excess land parcels adjacent to our corporate headquarters.

### NOTE 4 –IMPAIRMENTS AND DISPOSAL OF ASSETS, NET

Impairments and disposal of assets, net, in our accompanying consolidated statements of earnings are comprised of the following:

| (in millions)                           | Fiscal Year |         |         |
|-----------------------------------------|-------------|---------|---------|
|                                         | 2016        | 2015    | 2014    |
| Restaurant impairments                  | \$ 9.2      | \$ 49.4 | \$ 11.5 |
| Disposal gains                          | (5.9)       | (4.2)   | (1.9)   |
| Other                                   | 2.5         | 16.9    | 6.8     |
| Impairments and disposal of assets, net | \$ 5.8      | \$ 62.1 | \$ 16.4 |

Restaurant impairments for fiscal 2016 and 2015 were primarily related to underperforming restaurants and restaurant assets involved in individual sale-leaseback transactions. Restaurant impairments for fiscal 2014 were primarily related to underperforming restaurants.

Disposal gains for fiscal 2016 and 2015 were primarily related to the sale of land parcels and sale-leaseback transactions. Disposal gains for fiscal 2014 were primarily related to the sale of land parcels.

Other impairment charges for fiscal 2016 primarily related to a cost-method investment and the expected disposal of excess land parcels adjacent to our corporate headquarters which are held for sale. During fiscal 2015, other impairment charges related to the expected disposal of excess land parcels adjacent to our corporate headquarters, our lobster aquaculture project and a corporate airplane in connection with the closure of our aviation department. Other impairment charges for fiscal 2014 primarily related to a corporate airplane in connection with its expected sale.

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 discounted future cash flows. These amounts are included in impairments and disposal of assets, net as a component of earnings from continuing operations in the accompanying consolidated statements of earnings.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 5 - LAND, BUILDINGS AND EQUIPMENT, NET**

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

| (in millions)                                                 | May 29, 2016 |           | May 31, 2015 |           |
|---------------------------------------------------------------|--------------|-----------|--------------|-----------|
| Land                                                          | \$           | 133.1     | \$           | 633.5     |
| Buildings                                                     |              | 2,297.1   |              | 3,338.9   |
| Equipment                                                     |              | 1,318.5   |              | 1,439.1   |
| Assets under capital leases                                   |              | 71.9      |              | 72.0      |
| Construction in progress                                      |              | 40.0      |              | 36.9      |
| Total land, buildings and equipment                           | \$           | 3,860.6   | \$           | 5,520.4   |
| Less accumulated depreciation and amortization                |              | (1,788.3) |              | (2,277.7) |
| Less amortization associated with assets under capital leases |              | (30.7)    |              | (26.9)    |
| Land, buildings and equipment, net                            | \$           | 2,041.6   | \$           | 3,215.8   |

**NOTE 6 - SEGMENT INFORMATION**

We manage our restaurant brands, Olive Garden, LongHorn Steakhouse, The Capital Grille, Yard House, Bahama Breeze, Seasons 52 and Eddie V's in North America as operating segments. The brands operate principally in the U.S. within full-service dining. We aggregate our operating segments into reportable segments based on a combination of the size, economic characteristics and sub-segment of full-service dining within which each brand operates. We have four reportable segments: (1) Olive Garden, (2) LongHorn Steakhouse, (3) Fine Dining and (4) Other Business.

The Olive Garden segment includes the results of our company-owned Olive Garden restaurants in the U.S. and Canada. The LongHorn Steakhouse segment includes the results of our company-owned LongHorn Steakhouse restaurants in the U.S. The Fine Dining segment aggregates our premium brands that operate within the fine-dining sub-segment of full-service dining and includes the results of our company-owned The Capital Grille and Eddie V's restaurants in the U.S. The Other Business segment aggregates our remaining brands and includes the results of our company-owned Yard House, Seasons 52 and Bahama Breeze restaurants in the U.S. This segment also includes results from our franchises and consumer-packaged goods sales.

External sales are derived principally from food and beverage sales. We do not rely on any major customers as a source of sales, and the customers and long-lived assets of our reportable segments are predominantly in the U.S. There were no material transactions among reportable segments.

Our management uses segment profit as the measure for assessing performance of our segments. Segment profit includes revenues and expenses directly attributable to restaurant-level results of operations (sometimes referred to as restaurant-level earnings). These expenses include food and beverage costs, restaurant labor costs, restaurant expenses and marketing expenses (collectively "restaurant and marketing expenses"). The following tables reconcile our segment results to our consolidated results reported in accordance with GAAP:

| (in millions)                              | LongHorn     |            |             |                |           |              |  |  |
|--------------------------------------------|--------------|------------|-------------|----------------|-----------|--------------|--|--|
| At May 29, 2016 and for the year ended     | Olive Garden | Steakhouse | Fine Dining | Other Business | Corporate | Consolidated |  |  |
| Sales                                      | \$ 3,838.6   | \$ 1,587.7 | \$ 514.1    | \$ 993.1       | \$ —      | \$ 6,933.5   |  |  |
| Restaurant and marketing expenses          | 3,079.4      | 1,312.4    | 413.6       | 825.0          | —         | 5,630.4      |  |  |
| Segment profit                             | \$ 759.2     | \$ 275.3   | \$ 100.5    | \$ 168.1       | \$ —      | \$ 1,303.1   |  |  |
| Depreciation and amortization              | \$ 124.1     | \$ 67.9    | \$ 27.1     | \$ 50.5        | \$ 20.6   | \$ 290.2     |  |  |
| Impairments and disposal of assets, net    | (1.4)        | (1.5)      | 0.7         | 6.0            | 2.0       | 5.8          |  |  |
| Segment assets                             | 939.2        | 969.2      | 857.0       | 987.6          | 829.6     | 4,582.6      |  |  |
| Purchases of land, buildings and equipment | 95.6         | 46.9       | 21.4        | 60.5           | 3.9       | 228.3        |  |  |

|                                            |              |                     |             |                |           |              |  |
|--------------------------------------------|--------------|---------------------|-------------|----------------|-----------|--------------|--|
| (in millions)                              |              |                     |             |                |           |              |  |
| At May 31, 2015 and for the year ended     | Olive Garden | LongHorn Steakhouse | Fine Dining | Other Business | Corporate | Consolidated |  |
| Sales                                      | \$ 3,789.6   | \$ 1,544.7          | \$ 500.1    | \$ 929.6       | \$ —      | \$ 6,764.0   |  |
| Restaurant and marketing expenses          | 3,089.1      | 1,304.8             | 405.2       | 785.7          | —         | 5,584.8      |  |
| Segment profit                             | \$ 700.5     | \$ 239.9            | \$ 94.9     | \$ 143.9       | \$ —      | \$ 1,179.2   |  |
| Depreciation and amortization              | \$ 149.8     | \$ 71.6             | \$ 26.4     | \$ 47.3        | \$ 24.2   | \$ 319.3     |  |
| Impairments and disposal of assets, net    | 28.2         | 0.4                 | —           | 21.0           | 12.5      | 62.1         |  |
| Segment assets                             | 1,625.1      | 1,261.1             | 865.6       | 1,054.6        | 1,188.3   | 5,994.7      |  |
| Purchases of land, buildings and equipment | 118.9        | 67.4                | 22.9        | 83.4           | 3.9       | 296.5        |  |

|                                            |              |                     |             |                |           |              |  |
|--------------------------------------------|--------------|---------------------|-------------|----------------|-----------|--------------|--|
| (in millions)                              |              |                     |             |                |           |              |  |
| For the year ended May 25, 2014            | Olive Garden | LongHorn Steakhouse | Fine Dining | Other Business | Corporate | Consolidated |  |
| Sales                                      | \$ 3,643.1   | \$ 1,383.9          | \$ 441.6    | \$ 817.0       | \$ —      | \$ 6,285.6   |  |
| Restaurant and marketing expenses          | 2,995.1      | 1,179.6             | 360.2       | 707.9          | —         | 5,242.8      |  |
| Segment profit                             | \$ 648.0     | \$ 204.3            | \$ 81.4     | \$ 109.1       | \$ —      | \$ 1,042.8   |  |
| Depreciation and amortization              | \$ 149.6     | \$ 66.7             | \$ 24.3     | \$ 42.7        | \$ 21.1   | \$ 304.4     |  |
| Impairments and disposal of assets, net    | 3.3          | 0.8                 | 4.8         | 3.7            | 3.8       | 16.4         |  |
| Purchases of land, buildings and equipment | 131.9        | 114.4               | 42.3        | 123.1          | 3.1       | 414.8        |  |

Reconciliation of segment profit to earnings from continuing operations before income taxes:

|                                              | Fiscal Year Ended |              |              |
|----------------------------------------------|-------------------|--------------|--------------|
| (in millions)                                | May 29, 2016      | May 31, 2015 | May 25, 2014 |
| Segment profit                               | \$ 1,303.1        | \$ 1,179.2   | \$ 1,042.8   |
| Less general and administrative expenses     | (384.9)           | (430.2)      | (413.1)      |
| Less depreciation and amortization           | (290.2)           | (319.3)      | (304.4)      |
| Less impairments and disposal of assets, net | (5.8)             | (62.1)       | (16.4)       |
| Less interest, net                           | (172.5)           | (192.3)      | (134.3)      |
| Earnings before income taxes                 | \$ 449.7          | \$ 175.3     | \$ 174.6     |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

### NOTE 7 - DEBT

The components of long-term debt are as follows:

| (in millions)                                                     | May 29, 2016 | May 31, 2015 |
|-------------------------------------------------------------------|--------------|--------------|
| Variable-rate term loan (1.68% at May 31, 2015) due August 2017   | \$ —         | \$ 285.0     |
| 6.200% senior notes due October 2017                              | —            | 500.0        |
| 4.500% senior notes due October 2021                              | —            | 121.9        |
| 3.350% senior notes due November 2022                             | —            | 111.1        |
| 4.520% senior notes due August 2024                               | —            | 10.0         |
| 6.000% senior notes due August 2035                               | 150.0        | 150.0        |
| 6.800% senior notes due October 2037                              | 300.0        | 300.0        |
| Total long-term debt                                              | \$ 450.0     | \$ 1,478.0   |
| Fair value hedge                                                  | —            | 3.6          |
| Less unamortized discount and issuance costs                      | (10.0)       | (14.3)       |
| Total long-term debt less unamortized discount and issuance costs | \$ 440.0     | \$ 1,467.3   |
| Less current portion                                              | —            | (15.0)       |
| Long-term debt, excluding current portion                         | \$ 440.0     | \$ 1,452.3   |

During fiscal 2016, utilizing the proceeds of the Four Corners cash dividend, cash proceeds from the sale-leasebacks of restaurant properties and our corporate headquarters and additional cash on hand, we retired approximately \$1.03 billion aggregate principal of long-term debt consisting of:

- \$285.0 million of our variable-rate term loan, maturing in August 2017;
- \$500.0 million of unsecured 6.200 percent senior notes due in October 2017;
- \$121.9 million of unsecured 4.500 percent senior notes due in October 2021;
- \$111.1 million of unsecured 3.350 percent senior notes due in November 2022; and
- \$10.0 million of unsecured 4.520 percent senior notes due in August 2024.

During fiscal 2016, we recorded approximately \$106.8 million associated with the fiscal 2016 retirements including cash costs of approximately \$68.7 million for repurchase premiums, make-whole amounts and hedge settlements and non-cash charges of approximately \$38.1 million associated with hedge and loan cost write-offs. These amounts were recorded in interest, net, in our consolidated statements of earnings.

The interest rate on our \$300.0 million 6.800 percent senior notes due October 2037 is 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. In October 2014, Moody's Investors Service (Moody's) downgraded our senior unsecured ratings to "Ba1" from "Baa3" resulting in an increase of 0.250 percent in the interest rates on our senior notes due in October 2037. In April 2016, Moody's subsequently upgraded our rating to "Baa3" and the interest rate was restored to the initial rate.

The aggregate contractual maturities of long-term debt for each of the five fiscal years subsequent to May 29, 2016, and thereafter are as follows:

| (in millions)   |      |      |      |      |      |            |  |
|-----------------|------|------|------|------|------|------------|--|
| Fiscal Year     | 2017 | 2018 | 2019 | 2020 | 2021 | Thereafter |  |
| Debt repayments | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 450.0   |  |

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

to 1.00) and events of default usual for credit facilities of this type. As of May 29, 2016, we were in compliance with all covenants under the Revolving Credit Agreement.

The Revolving Credit Agreement matures on October 24, 2018, 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 highest of the BOA prime rate, the Federal Funds rate plus 0.500 percent and the Eurocurrency Rate plus 1.00 percent) plus the Applicable Margin. Assuming a "BBB" equivalent credit rating level, the Applicable Margin under the Revolving Credit Agreement will be 1.100 percent for LIBOR loans and 0.100 percent for base rate loans. As of May 29, 2016, we had no outstanding balances under the Revolving Credit Agreement.

### NOTE 8 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We use financial derivatives to manage interest rate and equity-based compensation 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 29, 2016, 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, 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.

During fiscal 2016, in connection with the repayment of our 2017 and 2021 senior notes, we settled our interest-rate swap agreements for a gain of \$4.1 million, which was recorded as a component of interest, net in our consolidated statements of earnings and included in the total \$106.8 million of costs associated with the pay down of our debt in fiscal 2016. The swap agreements effectively swapped 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. During fiscal 2016, 2015 and 2014, \$1.7 million, \$3.6 million and \$2.9 million, respectively, was recorded as a reduction to interest expense related to 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 29, 2016, we were party to equity forward contracts that were indexed to 0.9 million shares of our common stock, at varying forward rates between \$40.69 per share and \$60.60 per share, extending through September 2020. 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 or received.

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. 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 general and administrative expenses in our consolidated statements of earnings. As of May 29, 2016, we were party to an equity forward contract that was indexed to 0.1 million shares of our common stock at forward rate of \$41.03 per share, can only be net settled in cash and expires in fiscal 2019.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The notional and fair values of our derivative contracts are as follows:

| (in millions)                                              | Notional Values |              |     | Balance Sheet Location | Fair Values       |              |                        |              |  |
|------------------------------------------------------------|-----------------|--------------|-----|------------------------|-------------------|--------------|------------------------|--------------|--|
|                                                            |                 |              |     |                        | Derivative Assets |              | Derivative Liabilities |              |  |
|                                                            | May 29, 2016    | May 31, 2015 |     |                        | May 29, 2016      | May 31, 2015 | May 29, 2016           | May 31, 2015 |  |
| Derivative contracts designated as hedging instruments     |                 |              |     |                        |                   |              |                        |              |  |
| Equity forwards                                            | \$ 14.9         | \$ 11.4      | (1) | \$ 1.2                 | \$ 0.4            | \$ —         | \$ —                   |              |  |
| Interest rate related                                      | —               | 200.0        | (1) | —                      | 3.6               | —            | —                      |              |  |
|                                                            |                 |              |     | \$ 1.2                 | \$ 4.0            | \$ —         | \$ —                   |              |  |
| Derivative contracts not designated as hedging instruments |                 |              |     |                        |                   |              |                        |              |  |
| Equity forwards                                            | \$ 28.2         | \$ 51.7      | (1) | \$ 2.6                 | \$ 1.3            | \$ —         | \$ —                   |              |  |
|                                                            |                 |              |     | \$ 2.6                 | \$ 1.3            | \$ —         | \$ —                   |              |  |
| Total derivative contracts                                 |                 |              |     | \$ 3.8                 | \$ 5.3            | \$ —         | \$ —                   |              |  |

(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.

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)<br>Amount of Gain (Loss) Recognized in Earnings (Ineffective Portion) |        |        |
|---------------|--------------------------------------------------------------|--------|----------|------------------------------------------------------------|------------------------------------------------------------------------------|-----------|-----------|----------------------------------------------------------------------|---------------------------------------------------------------------------|--------|--------|
|               | Fiscal Year                                                  |        |          |                                                            | Fiscal Year                                                                  |           |           |                                                                      | Fiscal Year                                                               |        |        |
|               | 2016                                                         | 2015   | 2014     |                                                            | 2016                                                                         | 2015      | 2014      |                                                                      | 2016                                                                      | 2015   | 2014   |
| Equity        | \$ 2.0                                                       | \$ 2.1 | \$ (3.5) | (2)                                                        | \$ 2.1                                                                       | \$ (1.0)  | \$ (0.8)  | (2)                                                                  | \$ 0.9                                                                    | \$ 1.1 | \$ 1.4 |
| Interest rate | —                                                            | —      | —        | Interest, net                                              | (37.4)                                                                       | (45.7)    | (10.3)    | Interest, net                                                        | —                                                                         | —      | —      |
|               | \$ 2.0                                                       | \$ 2.1 | \$ (3.5) |                                                            | \$ (35.3)                                                                    | \$ (46.7) | \$ (11.1) |                                                                      | \$ 0.9                                                                    | \$ 1.1 | \$ 1.4 |

(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 restaurant labor expenses and general and administrative expenses.

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                                  |         |          |
|                 |                                                | 2016                                         | 2015    | 2014     |
| Equity forwards | Restaurant labor expenses                      | \$ 3.9                                       | \$ 4.0  | \$ (0.5) |
| Equity forwards | General and administrative expenses            | 7.5                                          | 9.2     | (1.3)    |
|                 |                                                | \$ 11.4                                      | \$ 13.2 | \$ (1.8) |

Based on the fair value of our derivative instruments designated as cash flow hedges as of May 29, 2016, we expect to reclassify \$0.3 million of net gains on derivative instruments from accumulated other comprehensive income (loss) to earnings during the next 12 months based on the maturity of equity forward contracts. 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 9 – 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 29, 2016 and May 31, 2015 :

Items Measured at Fair Value at May 29, 2016

| (in millions)              |     | Fair Value<br>of Assets<br>(Liabilities) | Quoted Prices<br>in Active<br>Market for<br>Identical Assets<br>(Liabilities)<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|----------------------------|-----|------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
| Fixed-income securities:   |     |                                          |                                                                                            |                                                           |                                                    |
| Corporate bonds            | (1) | \$ 2.0                                   | \$ —                                                                                       | \$ 2.0                                                    | \$ —                                               |
| U.S. Treasury securities   | (2) | 3.9                                      | 3.9                                                                                        | —                                                         | —                                                  |
| Mortgage-backed securities | (1) | 1.0                                      | —                                                                                          | 1.0                                                       | —                                                  |
| Derivatives:               |     |                                          |                                                                                            |                                                           |                                                    |
| Equity forwards            | (3) | 3.8                                      | —                                                                                          | 3.8                                                       | —                                                  |
| Total                      |     | \$ 10.7                                  | \$ 3.9                                                                                     | \$ 6.8                                                    | \$ —                                               |

Items Measured at Fair Value at May 31, 2015

| (in millions)              |     | Fair Value<br>of Assets<br>(Liabilities) | Quoted Prices<br>in Active<br>Market for<br>Identical Assets<br>(Liabilities)<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|----------------------------|-----|------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
| Fixed-income securities:   |     |                                          |                                                                                            |                                                           |                                                    |
| Corporate bonds            | (1) | \$ 2.2                                   | \$ —                                                                                       | \$ 2.2                                                    | \$ —                                               |
| U.S. Treasury securities   | (2) | 5.0                                      | 5.0                                                                                        | —                                                         | —                                                  |
| Mortgage-backed securities | (1) | 1.6                                      | —                                                                                          | 1.6                                                       | —                                                  |
| Derivatives:               |     |                                          |                                                                                            |                                                           |                                                    |
| Equity forwards            | (3) | 1.7                                      | —                                                                                          | 1.7                                                       | —                                                  |
| Interest rate swaps        | (4) | 3.6                                      | —                                                                                          | 3.6                                                       | —                                                  |
| Total                      |     | \$ 14.1                                  | \$ 5.0                                                                                     | \$ 9.1                                                    | \$ —                                               |

(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 equity forwards is based on the closing market value of Darden stock, inclusive of the risk of nonperformance.

(4) 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.

Our fixed-income 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. As of May 29, 2016, the cost and market value for our securities that qualify as available-for-sale was \$6.9 million. Earnings include insignificant realized gains and loss from sales of available-for-sale securities. At May 29, 2016, our available-for-sale securities of \$2.5 million have maturities of less than one year and \$4.4 million have maturities within one to three years.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The carrying value and fair value of long-term debt, as of May 29, 2016, was \$440.0 million and \$499.5 million, respectively. The carrying value and fair value of long-term debt including the amounts included in current liabilities as of May 31, 2015, was \$1.47 billion and \$1.57 billion, respectively. The fair value of long-term debt, which is classified as Level 2 in the fair value hierarchy, 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.

The fair value of non-financial assets measured at fair value on a non-recurring basis, which is classified as Level 3 in the fair value hierarchy, is determined based on appraisals or sales prices of comparable assets and estimates of future cash flows. As of May 29, 2016, long-lived assets held and used with a carrying value of \$5.4 million, primarily related to two underperforming restaurants, were determined to have no fair value resulting in an impairment charge of \$5.4 million. As of May 31, 2015, long-lived assets held and used with a carrying value of \$70.5 million, primarily related to restaurant assets involved in sale-leaseback arrangements, were written down to their fair value of \$55.4 million, resulting in an impairment charge of \$15.1 million. As of May 29, 2016, long-lived assets held for sale with a carrying value of \$17.5 million, related to excess land parcels adjacent to our corporate headquarters, were written down to their fair value of \$16.9 million, resulting in an impairment charge of \$0.6 million. As of May 31, 2015, long-lived assets held for sale with a carrying value of \$21.1 million, related to excess land parcels adjacent to our corporate headquarters, were written down to their fair value of \$17.0 million, resulting in an impairment charge of \$4.1 million.

### NOTE 10 - STOCKHOLDERS' EQUITY

#### *Share Repurchase Program*

Repurchased common stock has historically been reflected as a reduction of stockholders' equity. On December 16, 2015, our Board of Directors authorized a new share repurchase program under which we may repurchase up to \$500.0 million of our outstanding common stock. As of May 29, 2016, \$315.6 million remains under this authorization. This repurchase program does not have an expiration and replaces all other outstanding share repurchase authorizations.

#### *Share Retirements*

As of May 29, 2016, of the 185.0 million cumulative shares repurchased under the current and previous authorizations, 172.3 million shares were retired and restored to authorized but unissued shares of common stock. We expect that all shares of common stock acquired in the future will also be retired and restored to authorized but unissued shares of common stock.

#### *Stockholders' Rights Plan*

In connection with the announced REIT transaction, our Board approved a Rights Agreement dated June 23, 2015, to deter any person from acquiring ownership of more than 9.8 percent of our common stock during the period leading up to the REIT transaction. Under the Rights Agreement, each share of our common stock had associated with it one right to purchase one thousandth of a share of our Series A Junior Participating Cumulative Preferred Stock at a purchase price of \$156.26 per share, subject to adjustment under certain circumstances to prevent dilution. On November 10, 2015, the rights expired by their terms following completion of the spin-off of Four Corners. As a result, each share of our common stock is no longer accompanied by a right. The holders of common stock are not entitled to any payment as a result of the expiration of the Rights Agreement and the rights issued thereunder.

#### *Accumulated Other Comprehensive Income (Loss)*

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

| (in millions)                             | Foreign Currency<br>Translation<br>Adjustment | Unrealized Gains<br>(Losses) on<br>Marketable Securities | Unrealized Gains<br>(Losses) on<br>Derivatives | Benefit Plan<br>Funding Position | Accumulated Other<br>Comprehensive<br>Income (Loss) |
|-------------------------------------------|-----------------------------------------------|----------------------------------------------------------|------------------------------------------------|----------------------------------|-----------------------------------------------------|
| Balances at May 25, 2014                  | \$ (4.7)                                      | \$ 0.1                                                   | \$ (50.4)                                      | \$ (73.1)                        | \$ (128.1)                                          |
| Gain (loss)                               | (4.3)                                         | —                                                        | 2.1                                            | 3.1                              | 0.9                                                 |
| Reclassification realized in net earnings | 7.3                                           | —                                                        | 29.2                                           | 4.1                              | 40.6                                                |
| Balances at May 31, 2015                  | \$ (1.7)                                      | \$ 0.1                                                   | \$ (19.1)                                      | \$ (65.9)                        | \$ (86.6)                                           |
| Gain (loss)                               | 0.5                                           | —                                                        | 2.0                                            | (23.5)                           | (21.0)                                              |
| Reclassification realized in net earnings | —                                             | —                                                        | 21.0                                           | (0.4)                            | 20.6                                                |
| Balances at May 29, 2016                  | \$ (1.2)                                      | \$ 0.1                                                   | \$ 3.9                                         | \$ (89.8)                        | \$ (87.0)                                           |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Reclassifications related to foreign currency translation in fiscal 2015 primarily relate to the disposition of Red Lobster and are included in earnings from discontinued operations, net of tax expense in our consolidated statement of earnings. The following table presents the amounts and line items in our consolidated statements of earnings where other adjustments reclassified from AOCI into net earnings were recorded:

| (in millions)<br>AOCI Components            | Location of Gain (Loss)<br>Recognized in Earnings | Fiscal Year     |                 |
|---------------------------------------------|---------------------------------------------------|-----------------|-----------------|
|                                             |                                                   | May 29,<br>2016 | May 31,<br>2015 |
| Derivatives                                 |                                                   |                 |                 |
| Equity contracts                            | (1)                                               | \$ 2.1          | \$ (1.0)        |
| Interest rate contracts                     | (2)                                               | (37.4)          | (45.7)          |
|                                             | Total before tax                                  | \$ (35.3)       | \$ (46.7)       |
|                                             | Tax benefit                                       | 14.3            | 17.5            |
|                                             | Net of tax                                        | \$ (21.0)       | \$ (29.2)       |
| Benefit plan funding position               |                                                   |                 |                 |
| Pension/postretirement plans                |                                                   |                 |                 |
| Actuarial losses                            | (3)                                               | \$ (2.8)        | \$ (2.6)        |
| Settlement loss                             | (3)                                               | —               | (6.1)           |
| Total - pension/postretirement plans        |                                                   | \$ (2.8)        | \$ (8.7)        |
| Recognized net actuarial gain - other plans | (4)                                               | 3.4             | 1.8             |
|                                             | Total before tax                                  | \$ 0.6          | \$ (6.9)        |
|                                             | Tax benefit                                       | (0.2)           | 2.8             |
|                                             | Net of tax                                        | \$ 0.4          | \$ (4.1)        |

(1) Primarily included in restaurant labor costs and general and administrative expenses. See Note 8 for additional details.

(2) Included in interest, net, on our consolidated statements of earnings. Reclassifications primarily related to the acceleration of hedge loss amortization resulting from the pay down of the associated long-term debt.

(3) Included in the computation of net periodic benefit costs - pension and postretirement plans, which is a component of restaurant labor expenses and general and administrative expenses. See Note 14 for additional details.

(4) Included in the computation of net periodic benefit costs - other plans, which is a component of general and administrative expenses.

### NOTE 11 – LEASES

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

| (in millions)                     | Fiscal Year |          |          |
|-----------------------------------|-------------|----------|----------|
|                                   | 2016        | 2015     | 2014     |
| Restaurant minimum rent (1)       | \$ 233.6    | \$ 167.0 | \$ 146.4 |
| Restaurant rent averaging expense | 15.9        | 16.7     | 26.9     |
| Restaurant percentage rent        | 8.0         | 7.7      | 6.6      |
| Other                             | 8.1         | 3.5      | 5.5      |
| Total rent expense                | \$ 265.6    | \$ 194.9 | \$ 185.4 |

(1) The increase for fiscal 2016 is primarily related to the REIT transaction and individual sale-leaseback transactions. See Note 2 for further information.

Total rent expense included in discontinued operations was \$0.0 million , \$6.2 million and \$36.2 million for fiscal 2016, 2015 and 2014, respectively. These amounts include restaurant minimum rent of \$0.0 million , \$5.8 million and \$33.0 million for fiscal 2016, 2015 and 2014, respectively.

The annual future lease commitments under capital lease obligations and noncancelable operating and financing leases, including those related to restaurants reported as discontinued operations, for each of the five fiscal years subsequent to May 29, 2016 and thereafter is as follows:

(in millions)

| Fiscal Year                                                               | Capital | Financing | Operating  |
|---------------------------------------------------------------------------|---------|-----------|------------|
| 2017                                                                      | \$ 5.9  | \$ 7.1    | \$ 297.6   |
| 2018                                                                      | 6.0     | 7.2       | 287.6      |
| 2019                                                                      | 6.0     | 7.4       | 271.5      |
| 2020                                                                      | 6.1     | 7.5       | 255.2      |
| 2021                                                                      | 6.0     | 7.6       | 232.8      |
| Thereafter                                                                | 49.0    | 115.8     | 1,484.6    |
| Total future lease commitments                                            | \$ 79.0 | \$ 152.6  | \$ 2,829.3 |
| Less imputed interest (at 6.5%), (various)                                | (27.0)  | (76.6)    |            |
| Present value of future lease commitments                                 | \$ 52.0 | \$ 76.0   |            |
| Less current maturities                                                   | (2.7)   | (1.3)     |            |
| Obligations under capital and financing leases, net of current maturities | \$ 49.3 | \$ 74.7   |            |

## NOTE 12 - ADDITIONAL FINANCIAL INFORMATION

The tables below provide additional financial information related to our consolidated financial statements:

### Balance Sheets

| (in millions)                   | May 29, 2016 | May 31, 2015 |
|---------------------------------|--------------|--------------|
| <b>Receivables, net</b>         |              |              |
| Retail outlet gift card sales   | \$ 43.9      | \$ 47.1      |
| Landlord allowances due         | 3.7          | 12.9         |
| Miscellaneous                   | 16.9         | 18.9         |
| Allowance for doubtful accounts | (0.5)        | (0.9)        |
|                                 | \$ 64.0      | \$ 78.0      |

### Other Current Liabilities

|                                               |          |          |
|-----------------------------------------------|----------|----------|
| Non-qualified deferred compensation plan      | \$ 194.0 | \$ 209.6 |
| Sales and other taxes                         | 58.7     | 63.9     |
| Insurance-related                             | 36.3     | 37.4     |
| Employee benefits                             | 35.8     | 34.3     |
| Contingent proceeds - Red Lobster disposition | —        | 31.5     |
| Accrued interest                              | 5.1      | 11.4     |
| Miscellaneous                                 | 70.7     | 61.0     |
|                                               | \$ 400.6 | \$ 449.1 |

## Statements of Earnings

|                                                  | Fiscal Year |          |          |
|--------------------------------------------------|-------------|----------|----------|
| (in millions)                                    | 2016        | 2015     | 2014     |
| Interest expense (1)                             | \$ 165.4    | \$ 186.2 | \$ 134.0 |
| Imputed interest on capital and financing leases | 8.9         | 8.0      | 3.5      |
| Capitalized interest                             | (0.7)       | (1.3)    | (2.6)    |
| Interest income                                  | (1.1)       | (0.6)    | (0.6)    |
| Interest, net                                    | \$ 172.5    | \$ 192.3 | \$ 134.3 |

(1) Interest expense in fiscal 2016 and 2015 includes approximately \$106.8 million and \$91.3 million , respectively, of expenses associated with the retirement of long-term debt. See Note 7.

## Statements of Cash Flows

|                                                                                                  | Fiscal Year |          |          |
|--------------------------------------------------------------------------------------------------|-------------|----------|----------|
| (in millions)                                                                                    | 2016        | 2015     | 2014     |
| Cash paid during the fiscal year for:                                                            |             |          |          |
| Interest, net of amounts capitalized (1)                                                         | \$ 140.8    | \$ 142.8 | \$ 117.5 |
| Income taxes, net of refunds (2)                                                                 | \$ 128.0    | \$ 290.7 | \$ 90.0  |
| Non-cash investing and financing activities:                                                     |             |          |          |
| Increase in land, buildings and equipment through accrued purchases                              | \$ 14.9     | \$ 11.1  | \$ 24.4  |
| Net book value of assets distributed in Four Corners separation, net of deferred tax liabilities | \$ 750.4    | \$ —     | \$ —     |

(1) Interest paid in fiscal 2016 and 2015 includes approximately \$68.7 million and \$44.0 million , respectively, of payments associated with the retirement of long-term debt. See Note 7.

(2) Income taxes paid in fiscal 2015 were higher primarily as a result of the gain recognized on the sale of Red Lobster.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 13 - INCOME TAXES**

Total income tax expense was allocated as follows:

| (in millions)                         | Fiscal Year |           |          |
|---------------------------------------|-------------|-----------|----------|
|                                       | 2016        | 2015      | 2014     |
| Earnings from continuing operations   | \$ 90.0     | \$ (21.1) | \$ (8.6) |
| Earnings from discontinued operations | 3.4         | 344.8     | 32.3     |
| Total consolidated income tax expense | \$ 93.4     | \$ 323.7  | \$ 23.7  |

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

| (in millions)                                            | Fiscal Year |           |           |
|----------------------------------------------------------|-------------|-----------|-----------|
|                                                          | 2016        | 2015      | 2014      |
| Earnings from continuing operations before income taxes: |             |           |           |
| U.S.                                                     | \$ 450.6    | \$ 179.9  | \$ 189.0  |
| Foreign                                                  | (0.9)       | (4.6)     | (14.4)    |
| Earnings from continuing operations before income taxes  | \$ 449.7    | \$ 175.3  | \$ 174.6  |
| Income taxes:                                            |             |           |           |
| Current:                                                 |             |           |           |
| Federal                                                  | \$ 89.1     | \$ (12.7) | \$ 39.5   |
| State and local                                          | 2.7         | (8.0)     | 5.4       |
| Foreign                                                  | 1.9         | 6.9       | 3.0       |
| Total current                                            | \$ 93.7     | \$ (13.8) | \$ 47.9   |
| Deferred (principally U.S.):                             |             |           |           |
| Federal                                                  | \$ (2.4)    | \$ —      | \$ (43.7) |
| State and local                                          | (1.3)       | (7.3)     | (12.8)    |
| Total deferred                                           | \$ (3.7)    | \$ (7.3)  | \$ (56.5) |
| Total income taxes                                       | \$ 90.0     | \$ (21.1) | \$ (8.6)  |

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 |         |        |
|-----------------------------------------------------------|-------------|---------|--------|
|                                                           | 2016        | 2015    | 2014   |
| U.S. statutory rate                                       | 35.0 %      | 35.0 %  | 35.0 % |
| State and local income taxes, net of federal tax benefits | 1.2         | (6.6)   | (2.7)  |
| Benefit of federal income tax credits                     | (12.5)      | (34.0)  | (30.3) |
| Other, net                                                | (3.7)       | (6.4)   | (6.9)  |
| Effective income tax rate                                 | 20.0 %      | (12.0)% | (4.9)% |

As of May 29, 2016 , we had estimated current prepaid state income taxes of \$17.0 million and current prepaid federal income taxes of \$29.1 million , which are included on our accompanying consolidated balance sheets as prepaid income taxes.

As of May 29, 2016 , we had unrecognized tax benefits of \$14.3 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. Included in the balance of unrecognized tax benefits at May 29, 2016 , is \$1.2 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 \$1.2 million relates to items that would impact our effective income tax rate.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

A reconciliation of the beginning and ending amount of unrecognized tax benefits follows:

(in millions)

|                                                       |    |       |
|-------------------------------------------------------|----|-------|
| Balances at May 31, 2015                              | \$ | 13.7  |
| Additions related to current-year tax positions       |    | 3.9   |
| Reductions related to prior-year tax positions        |    | (0.4) |
| Reductions due to settlements with taxing authorities |    | (1.0) |
| Reductions to tax positions due to statute expiration |    | (1.9) |
| Balances at May 29, 2016                              | \$ | 14.3  |

We recognize accrued interest related to unrecognized tax benefits in income tax expense. Penalties, when incurred, are recognized in 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 |        |        |
|-----------------------------------------------|-------------|--------|--------|
|                                               | 2016        | 2015   | 2014   |
| Interest expense on unrecognized tax benefits | \$ 0.5      | \$ 1.1 | \$ 0.4 |

At May 29, 2016, we had \$0.7 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. 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 2015, and state and local, or non-U.S. income tax examinations by tax authorities for years before fiscal 2011.

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

(in millions)

|                                                                      | May 29, 2016 | May 31, 2015 |
|----------------------------------------------------------------------|--------------|--------------|
| Accrued liabilities                                                  | \$ 109.4     | \$ 104.9     |
| Compensation and employee benefits                                   | 176.0        | 186.6        |
| Deferred rent and interest income                                    | 97.8         | 88.9         |
| Net operating loss, credit and charitable contribution carryforwards | 47.1         | 50.1         |
| Other                                                                | 5.9          | 6.5          |
| Gross deferred tax assets                                            | \$ 436.2     | \$ 437.0     |
| Valuation allowance                                                  | (17.0)       | (13.5)       |
| Deferred tax assets, net of valuation allowance                      | \$ 419.2     | \$ 423.5     |
| Trademarks and other acquisition related intangibles                 | (226.4)      | (220.6)      |
| Buildings and equipment                                              | (238.6)      | (337.1)      |
| Capitalized software and other assets                                | (34.0)       | (28.1)       |
| Other                                                                | (12.1)       | (22.1)       |
| Gross deferred tax liabilities                                       | \$ (511.1)   | \$ (607.9)   |
| Net deferred tax liabilities                                         | \$ (91.9)    | \$ (184.4)   |

Net operating loss, credit and charitable contribution carryforwards have the potential to expire. We have taken current and potential future 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. Based upon the level of historical taxable income and projections for future taxable income over the periods in which our deferred tax assets are

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

deductible, we believe it is more-likely-than-not that we will realize the benefits of these deductible differences, net of the existing valuation allowances at May 29, 2016 .

### NOTE 14 - RETIREMENT PLANS

#### *Defined Benefit Plans and Postretirement Benefit Plan*

We sponsor non-contributory defined benefit pension plans, 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. As of December 2014, the plans were frozen and no additional service was eligible to be accrued under such plans. 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 non-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 |        |        |
|---------------------------------------|-------------|--------|--------|
|                                       | 2016        | 2015   | 2014   |
| Defined benefit pension plans funding | \$ 25.4     | \$ 0.4 | \$ 0.4 |
| Postretirement benefit plan funding   | 1.1         | 1.1    | 0.9    |

During the fourth quarter of fiscal 2016, we made a voluntary funding contribution of \$25.0 million to our defined benefit pension plans. We expect to contribute approximately \$0.4 million to our defined benefit pension plans and approximately \$1.3 million to our postretirement benefit plan during fiscal 2017 .

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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 29, 2016 and May 31, 2015 :

| (in millions)                             | Defined Benefit Plans |           | Postretirement Benefit Plan |           |
|-------------------------------------------|-----------------------|-----------|-----------------------------|-----------|
|                                           | 2016                  | 2015      | 2016                        | 2015      |
| <b>Change in Benefit Obligation:</b>      |                       |           |                             |           |
| Benefit obligation at beginning of period | \$ 288.4              | \$ 283.9  | \$ 18.0                     | \$ 38.5   |
| Service cost                              | —                     | 1.1       | 0.2                         | 0.5       |
| Interest cost                             | 10.6                  | 10.0      | 0.8                         | 1.0       |
| Plan amendments                           | —                     | —         | —                           | (26.9)    |
| Plan settlements                          | —                     | (15.8)    | —                           | —         |
| Participant contributions                 | —                     | —         | —                           | 0.4       |
| Benefits paid                             | (15.9)                | (8.6)     | (1.1)                       | (1.5)     |
| Actuarial loss                            | 15.4                  | 17.8      | 2.0                         | 6.0       |
| Benefit obligation at end of period       | \$ 298.5              | \$ 288.4  | \$ 19.9                     | \$ 18.0   |
| <b>Change in Plan Assets:</b>             |                       |           |                             |           |
| Fair value at beginning of period         | \$ 236.6              | \$ 243.9  | \$ —                        | \$ —      |
| Actual return on plan assets              | (4.1)                 | 16.7      | —                           | —         |
| Employer contributions                    | 25.4                  | 0.4       | 1.1                         | 1.1       |
| Plan settlements                          | —                     | (15.8)    | —                           | —         |
| Participant contributions                 | —                     | —         | —                           | 0.4       |
| Benefits paid                             | (15.9)                | (8.6)     | (1.1)                       | (1.5)     |
| Fair value at end of period               | \$ 242.0              | \$ 236.6  | \$ —                        | \$ —      |
| Unfunded status at end of period          | \$ (56.5)             | \$ (51.8) | \$ (19.9)                   | \$ (18.0) |

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 29,<br>2016       | May 31,<br>2015 | May 29,<br>2016             | May 31,<br>2015 |
| <b>Components of the Consolidated Balance Sheets:</b>                                   |                       |                 |                             |                 |
| Current liabilities                                                                     | \$ —                  | \$ —            | \$ 1.3                      | \$ 1.1          |
| Noncurrent liabilities                                                                  | 56.5                  | 51.8            | 18.6                        | 16.9            |
| Net amounts recognized                                                                  | \$ 56.5               | \$ 51.8         | \$ 19.9                     | \$ 18.0         |
| <b>Amounts Recognized in Accumulated Other Comprehensive Income (Loss), net of tax:</b> |                       |                 |                             |                 |
| Prior service (cost) credit                                                             | \$ —                  | \$ —            | \$ 11.9                     | \$ 14.9         |
| Net actuarial gain (loss)                                                               | (87.9)                | (68.7)          | (9.5)                       | (9.0)           |
| Net amounts recognized                                                                  | \$ (87.9)             | \$ (68.7)       | \$ 2.4                      | \$ 5.9          |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

| (in millions)                                                                                           | May 29, 2016 | May 31, 2015 |
|---------------------------------------------------------------------------------------------------------|--------------|--------------|
| Accumulated benefit obligation for all defined benefit plans                                            | \$ 298.5     | \$ 288.4     |
| Pension plans with accumulated benefit obligations in excess of plan assets:                            |              |              |
| Accumulated benefit obligation                                                                          | 298.5        | 288.4        |
| Fair value of plan assets                                                                               | 242.0        | 236.6        |
| Projected benefit obligations for all plans with projected benefit obligations in excess of plan assets | 298.5        | 288.4        |

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

|                                                                                                         | Defined Benefit Plans |       | Postretirement Benefit Plan |       |
|---------------------------------------------------------------------------------------------------------|-----------------------|-------|-----------------------------|-------|
|                                                                                                         | 2016                  | 2015  | 2016                        | 2015  |
| Weighted-average assumptions used to determine benefit obligations at May 29 and May 31 (1)             |                       |       |                             |       |
| Discount rate                                                                                           | 4.18%                 | 4.43% | 4.00%                       | 4.22% |
| Rate of future compensation increases                                                                   | N/A                   | N/A   | N/A                         | N/A   |
| Weighted-average assumptions used to determine net expense for fiscal years ended May 29 and May 31 (2) |                       |       |                             |       |
| Discount rate                                                                                           | 4.43%                 | 4.41% | 4.22%                       | 4.26% |
| Expected long-term rate of return on plan assets                                                        | 6.50%                 | 7.00% | N/A                         | N/A   |
| Rate of future compensation increases                                                                   | N/A                   | 3.86% | 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. Additionally, for our mortality assumption as of fiscal year end, we selected the most recent RP-2014 mortality tables and MP-2015 mortality improvement scale to measure the benefit obligations.

The expected long-term rate of return on plan assets is 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. We reduced our expected long-term rate of return on plan assets for our defined benefit plans from 8.0 percent used in fiscal 2014 to 7.0 percent used in fiscal 2015 and then to 6.5 percent for fiscal 2016 in connection with our current expectations for long-term returns and target asset fund 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 6.8 percent, 7.6 percent and 8.7 percent, respectively, as of May 29, 2016. 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. Currently, our target asset fund allocation is 40.0 percent high-quality, long-duration fixed-income securities, 31.0 percent U.S. equities, 16.0 percent international equities, 10.0 percent absolute-return funds and 3.0 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, absolute-return funds, 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, U.S. Treasury securities, an international commingled fund, a global fixed-income commingled fund and public sector utility securities represented approximately 31.1 percent, 15.6 percent, 10.7 percent, 10.3 percent, 10.1 percent and 6.1 percent respectively, of total plan assets and represents the only

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

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

| (in millions)                                   | Defined Benefit Plans |        |        | Postretirement Benefit Plan |          |        |
|-------------------------------------------------|-----------------------|--------|--------|-----------------------------|----------|--------|
|                                                 | 2016                  | 2015   | 2014   | 2016                        | 2015     | 2014   |
| Service cost                                    | \$ —                  | \$ 1.1 | \$ 4.4 | \$ 0.2                      | \$ 0.5   | \$ 0.7 |
| Interest cost                                   | 10.6                  | 10.0   | 10.2   | 0.8                         | 1.0      | 1.4    |
| Expected return on plan assets                  | (14.5)                | (15.2) | (17.1) | —                           | —        | —      |
| Amortization of unrecognized prior service cost | —                     | —      | 0.1    | (4.8)                       | (2.8)    | (0.1)  |
| Recognized net actuarial loss                   | 2.8                   | 2.6    | 9.0    | 1.2                         | 0.8      | —      |
| Settlement loss recognized                      | —                     | 6.1    | —      | —                           | —        | —      |
| Curtailment gain recognized                     | —                     | —      | (0.5)  | —                           | —        | —      |
| Net pension and postretirement cost (benefit)   | \$ (1.1)              | \$ 4.6 | \$ 6.1 | \$ (2.6)                    | \$ (0.5) | \$ 2.0 |

The amortization of the net actuarial gain (loss) component of our fiscal 2017 net periodic benefit cost for the defined benefit plans and postretirement benefit plan is expected to be approximately \$(3.2) million and \$(1.7) million, respectively.

The fair values of the defined benefit pension plans assets at their measurement dates of May 29, 2016 and May 31, 2015, are as follows:

| Items Measured at Fair Value at May 29, 2016 |     |                                          |                                                                                            |                                                           |                                                    |
|----------------------------------------------|-----|------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
| (in millions)                                |     | Fair Value<br>of Assets<br>(Liabilities) | Quoted Prices<br>in Active<br>Market for<br>Identical Assets<br>(Liabilities)<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Equity:</b>                               |     |                                          |                                                                                            |                                                           |                                                    |
| U.S. Commingled Funds                        | (1) | \$ 75.3                                  | \$ —                                                                                       | \$ 75.3                                                   | \$ —                                               |
| International Commingled Fund                | (2) | 24.9                                     | —                                                                                          | 24.9                                                      | —                                                  |
| Emerging Market Commingled Funds             | (3) | 6.8                                      | —                                                                                          | 6.8                                                       | —                                                  |
| Emerging Market Mutual Fund                  | (4) | 5.9                                      | 5.9                                                                                        | —                                                         | —                                                  |
| Real Estate Commingled Fund                  | (5) | 7.5                                      | —                                                                                          | 7.5                                                       | —                                                  |
| <b>Fixed-Income:</b>                         |     |                                          |                                                                                            |                                                           |                                                    |
| U.S. Treasury Securities                     | (6) | 25.9                                     | 25.9                                                                                       | —                                                         | —                                                  |
| U.S. Corporate Securities                    | (6) | 37.8                                     | —                                                                                          | 37.8                                                      | —                                                  |
| International Securities                     | (6) | 6.3                                      | —                                                                                          | 6.3                                                       | —                                                  |
| Public Sector Utility Securities             | (6) | 14.8                                     | —                                                                                          | 14.8                                                      | —                                                  |
| Global Fixed-Income Commingled Fund          | (7) | 24.4                                     | —                                                                                          | 24.4                                                      | —                                                  |
| U.S. Fixed-Income Commingled Funds           | (8) | 10.3                                     | —                                                                                          | 10.3                                                      | —                                                  |
| Cash & Accruals                              |     | 2.1                                      | 2.1                                                                                        | —                                                         | —                                                  |
| <b>Total</b>                                 |     | <b>\$ 242.0</b>                          | <b>\$ 33.9</b>                                                                             | <b>\$ 208.1</b>                                           | <b>\$ —</b>                                        |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Items Measured at Fair Value at May 31, 2015

| (in millions)                       |     | Fair Value<br>of Assets<br>(Liabilities) | Quoted Prices<br>in Active<br>Market for<br>Identical Assets<br>(Liabilities)<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|-------------------------------------|-----|------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
| <b>Equity:</b>                      |     |                                          |                                                                                            |                                                           |                                                    |
| U.S. Commingled Funds               | (1) | \$ 75.8                                  | \$ —                                                                                       | \$ 75.8                                                   | \$ —                                               |
| International Commingled Fund       | (2) | 25.7                                     | —                                                                                          | 25.7                                                      | —                                                  |
| Emerging Market Commingled Funds    | (3) | 13.1                                     | —                                                                                          | 13.1                                                      | —                                                  |
| Real Estate Commingled Fund         | (5) | 6.9                                      | —                                                                                          | 6.9                                                       | —                                                  |
| <b>Fixed-Income:</b>                |     |                                          |                                                                                            |                                                           |                                                    |
| U.S. Treasury Securities            | (6) | 25.1                                     | 25.1                                                                                       | —                                                         | —                                                  |
| U.S. Corporate Securities           | (6) | 41.4                                     | —                                                                                          | 41.4                                                      | —                                                  |
| International Securities            | (6) | 8.3                                      | —                                                                                          | 8.3                                                       | —                                                  |
| Public Sector Utility Securities    | (6) | 14.5                                     | —                                                                                          | 14.5                                                      | —                                                  |
| Global Fixed-Income Commingled Fund | (7) | 24.0                                     | —                                                                                          | 24.0                                                      | —                                                  |
| Cash & Accruals                     |     | 1.8                                      | 1.8                                                                                        | —                                                         | —                                                  |
| <b>Total</b>                        |     | <b>\$ 236.6</b>                          | <b>\$ 26.9</b>                                                                             | <b>\$ 209.7</b>                                           | <b>\$ —</b>                                        |

- (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 using a unit price or net asset value (NAV) based on the fair value of the underlying investments of the funds. There are no redemption restrictions associated with these funds.
- (2) International commingled fund is comprised of investments in funds that purchase publicly traded non-U.S. common stock for total return purposes. Investments are valued using a unit price or NAV based on the fair value of the underlying investments of the fund. There are no redemption restrictions associated with this fund.
- (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 in emerging economies for total return purposes. Funds are valued using a unit price or NAV based on the fair value of the underlying investments of the funds. There are no redemption restrictions associated with these funds.
- (4) Emerging market mutual fund is comprised of securities associated with emerging markets and frontier markets. Fund is valued using quoted market prices from national exchanges.
- (5) Real estate commingled fund is comprised of investments in funds that purchase publicly traded common stock of real estate companies for purposes of total return. These investments are valued using a unit price or NAV based on the fair value of the underlying investments of the fund. There are no redemption restrictions associated with this fund.
- (6) 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.
- (7) Global fixed-income commingled fund is comprised of investments in U.S. and non-U.S. government fixed-income securities. Investments are valued using a unit price or NAV based on the fair value of the underlying investments of the fund. There are no redemption restrictions associated with this fund.
- (8) U.S. fixed-income commingled funds are comprised of a diversified portfolio of U.S. investment-grade corporate and government securities. Investments are valued using a unit price or NAV based on the fair value of the underlying investments of the funds. There are no redemption restrictions associated with these funds.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following benefit payments are expected to be paid between fiscal 2017 and fiscal 2026 :

| (in millions) | Defined Benefit Plans | Postretirement Benefit Plan |
|---------------|-----------------------|-----------------------------|
| 2017          | \$ 12.5               | \$ 1.3                      |
| 2018          | 12.6                  | 1.3                         |
| 2019          | 13.0                  | 1.3                         |
| 2020          | 13.7                  | 1.3                         |
| 2021          | 14.2                  | 1.3                         |
| 2022-2026     | 79.3                  | 6.2                         |

### ***Postemployment Severance Plan***

We accrue for postemployment severance costs in our consolidated financial statements and recognize actuarial gains and losses as well as prior service credits related to our postemployment severance accrual as a component of accumulated other comprehensive income (loss). As of May 29, 2016 and May 31, 2015, \$4.3 million and \$2.3 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 \$643.3 million at May 29, 2016, and \$610.9 million at May 31, 2015. Expense recognized in fiscal 2016, 2015 and 2014 was \$15.1 million, \$0.6 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 \$194.0 million and \$209.6 million at May 29, 2016 and May 31, 2015, 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 29, 2016, the ESOP’s original debt to us had a balance of \$2.3 million with a variable rate of interest of 0.43 percent and is due to be repaid no later than December 2019. 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 29, 2016, the Additional Loan had a balance of \$1.2 million with a variable interest rate of 0.63 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 2016, 2015 and 2014, the ESOP used dividends received of \$0.7 million, \$1.1 million and \$0.9 million, respectively, and contributions received from us of \$0.1 million, \$0.0 million and \$0.0 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 29, 2016, the ESOP shares included in the basic and diluted net earnings per share calculation totaled 2.7 million shares, representing 2.2 million allocated shares and 0.5 million suspense shares.

## **NOTE 15 - STOCK-BASED COMPENSATION**

In September 2015, our shareholders approved the Darden Restaurants, Inc. 2015 Omnibus Incentive Plan (2015 Plan). All equity grants subject to ASC Topic 718 after the date of approval are made under the 2015 Plan. No further equity grants after that date are permitted under the Darden Restaurants, Inc. 2002 Stock Incentive Plan, the RARE Hospitality International, Inc. Amended

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

and Restated 2002 Long-Term Incentive Plan or any other prior stock option and/or stock grant plans (collectively, the Prior Plans). The 2015 Plan and the Prior Plans are administered by the Compensation Committee of the Board of Directors. The 2015 Plan provides for the issuance of up to 7.6 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 employees, consultants and non-employee directors. There are outstanding awards under the Prior Plans that may still vest and be exercised in accordance with their terms. As of May 29, 2016, approximately 6.6 million shares may be issued under outstanding awards that were granted under the Prior Plans. Pursuant to the provisions of our stock plans, in connection with the separation of Four Corners (see Note 2) we made certain adjustments to the exercise price and number of our share-based compensation awards, with the intention of preserving the intrinsic value of the awards immediately prior to the separation. These adjustments are reflected in the activity tables that follow. The separation-related adjustments did not have a material impact on either compensation expense or the potentially dilutive securities to be considered in the calculation of diluted earnings per share of common stock.

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

| (in millions)                            | Fiscal Year |         |         |
|------------------------------------------|-------------|---------|---------|
|                                          | 2016        | 2015    | 2014    |
| Stock options (1)                        | \$ 7.8      | \$ 20.9 | \$ 19.3 |
| Restricted stock/restricted stock units  | 1.6         | 2.0     | 0.9     |
| Darden stock units                       | 15.9        | 13.3    | 12.3    |
| Cash-settled performance stock units (2) | 6.5         | 14.5    | 2.5     |
| Equity-settled performance stock units   | 2.7         | —       | —       |
| Employee stock purchase plan             | 1.1         | 1.3     | 1.8     |
| Director compensation program/other      | 1.7         | 1.7     | 1.9     |
|                                          | \$ 37.3     | \$ 53.7 | \$ 38.7 |

(1) The higher expense in fiscal 2015 and fiscal 2014 is primarily attributable to the workforce reduction efforts (see Note 16) and a change in mix of equity awards granted.

(2) The higher expense in fiscal 2015 is primarily attributable to the workforce reduction efforts (see Note 16) and the impact of improved financial performance.

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<br>Granted in Fiscal Year |          |          |
|-----------------------------------------------|-----------------------------------------|----------|----------|
|                                               | 2016                                    | 2015     | 2014     |
| Weighted-average fair value (1)               | \$ 12.72                                | \$ 9.41  | \$ 10.71 |
| Dividend yield                                | 3.3%                                    | 4.5%     | 4.4%     |
| Expected volatility of stock                  | 28.0%                                   | 37.3%    | 39.6%    |
| Risk-free interest rate                       | 1.9%                                    | 2.1%     | 1.9%     |
| Expected option life (in years)               | 6.5                                     | 6.5      | 6.4      |
| Weighted-average exercise price per share (1) | \$ 64.85                                | \$ 40.43 | \$ 42.93 |

(1) Weighted-averages were adjusted for the impact of the separation of Four Corners.

## 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 29, 2016 :

|                                                                              | Options<br>(in millions) | Weighted-Average<br>Exercise Price<br>Per Share | Weighted-Average<br>Remaining<br>Contractual Life (Yrs) | Aggregate<br>Intrinsic Value<br>(in millions) |
|------------------------------------------------------------------------------|--------------------------|-------------------------------------------------|---------------------------------------------------------|-----------------------------------------------|
| Outstanding beginning of period                                              | 7.71                     | \$44.18                                         | 6.08                                                    | \$164.6                                       |
| Awards issued in conversion as a result of the separation of<br>Four Corners | 0.97                     |                                                 |                                                         |                                               |
| Options granted                                                              | 0.44                     | 64.85                                           |                                                         |                                               |
| Options exercised                                                            | (2.61)                   | 36.21                                           |                                                         |                                               |
| Options canceled                                                             | (0.19)                   | 46.77                                           |                                                         |                                               |
| Outstanding end of period                                                    | 6.32                     | \$42.04                                         | 6.00                                                    | \$160.6                                       |
| Exercisable                                                                  | 4.66                     | \$40.23                                         | 5.29                                                    | \$127.0                                       |

The total intrinsic value of options exercised during fiscal 2016 , 2015 and 2014 was \$73.6 million , \$90.2 million and \$39.9 million , respectively. Cash received from option exercises during fiscal 2016 , 2015 and 2014 was \$94.4 million , \$154.6 million and \$50.9 million , respectively. Stock options generally vest over 4 years and 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 29, 2016 , there was \$8.9 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 1.5 years. The total fair value of stock options that vested during fiscal 2016 was \$7.0 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 generally range from one to four years.

The following table presents a summary of our restricted stock and RSU activity as of and for the fiscal year ended May 29, 2016 :

|                                 | Shares<br>(in millions) | Weighted-Average<br>Grant Date Fair<br>Value Per Share |
|---------------------------------|-------------------------|--------------------------------------------------------|
| Outstanding beginning of period | 0.10                    | \$51.19                                                |
| Shares granted                  | 0.06                    | 62.38                                                  |
| Shares vested                   | (0.03)                  | 47.95                                                  |
| Shares canceled                 | (0.02)                  | 61.97                                                  |
| Outstanding end of period       | 0.11                    | \$55.46                                                |

As of May 29, 2016 , there was \$2.9 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 2.3 years. The total fair value of restricted stock and RSUs that vested during fiscal 2016 , 2015 and 2014 was \$1.6 million , \$4.8 million and \$2.3 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 8 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 29, 2016 :

| (All units settled in cash)                                               | Units<br>(in millions) | Weighted-Average<br>Fair Value<br>Per Unit |
|---------------------------------------------------------------------------|------------------------|--------------------------------------------|
| Outstanding beginning of period                                           | 1.37                   | \$65.54                                    |
| Awards issued in conversion as a result of the separation of Four Corners | 0.18                   |                                            |
| Units granted                                                             | 0.32                   | 64.75                                      |
| Units vested                                                              | (0.34)                 | 63.91                                      |
| Units canceled                                                            | (0.10)                 | 47.75                                      |
| Outstanding end of period                                                 | 1.43                   | \$67.48                                    |

As of May 29, 2016 , our total Darden stock unit liability was \$50.7 million , including \$17.1 million recorded in other current liabilities and \$33.6 million recorded in other liabilities on our consolidated balance sheets. As of May 31, 2015 , our total Darden stock unit liability was \$46.1 million , including \$16.2 million recorded in other current liabilities and \$29.9 million recorded in other liabilities on our consolidated balance sheets.

Based on the value of our common stock as of May 29, 2016 , there was \$33.7 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. The total fair value of Darden stock units that vested during fiscal 2016 was \$21.5 million .

The following table presents a summary of our cash-settled performance stock unit activity as of and for the fiscal year ended May 29, 2016 :

| (All units settled in cash)                                               | Units<br>(in millions) | Weighted-Average<br>Fair Value<br>Per Unit |
|---------------------------------------------------------------------------|------------------------|--------------------------------------------|
| Outstanding beginning of period                                           | 0.38                   | \$65.54                                    |
| Awards issued in conversion as a result of the separation of Four Corners | 0.05                   |                                            |
| Units granted                                                             | —                      | —                                          |
| Units vested                                                              | (0.17)                 | 67.17                                      |
| Units canceled                                                            | (0.10)                 | 43.35                                      |
| Performance unit adjustment                                               | 0.05                   | 43.84                                      |
| Outstanding end of period                                                 | 0.21                   | \$67.48                                    |

As of May 29, 2016 , our cash-settled performance stock unit liability was \$10.4 million , including \$7.1 million recorded in other current liabilities and \$3.3 million recorded in other liabilities on our consolidated balance sheets. As of May 31, 2015 , our cash-settled performance stock unit liability was \$15.9 million , including \$11.2 million recorded in other current liabilities and \$4.7 million recorded in other liabilities on our consolidated balance sheets.

Cash-settled performance stock units cliff vest three 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 three 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 29, 2016 , there was \$2.4 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 1.1 years. The total fair value of cash-settled performance stock units that vested in fiscal 2016 was \$11.4 million .

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table presents a summary of our equity-settled performance stock unit activity as of and for the fiscal year ended May 29, 2016 :

|                                 | Units<br>(in millions) | Weighted-Average<br>Grant Date<br>Fair Value<br>Per Unit |
|---------------------------------|------------------------|----------------------------------------------------------|
| Outstanding beginning of period | —                      | \$—                                                      |
| Units granted                   | 0.19                   | 65.23                                                    |
| Units vested                    | —                      | —                                                        |
| Units canceled                  | (0.02)                 | 65.42                                                    |
| Outstanding end of period       | 0.17                   | \$65.21                                                  |

Beginning in fiscal 2016, two new types of equity-settled performance-based restricted stock units were issued, where 0.0 percent to 150.0 percent of the entire grant is earned or forfeited at the end of the respective vesting periods, which range from three to four years. The number of units that actually vest will be determined based on the achievement of performance criteria set forth in the award agreements and may range from 0.0 percent to 150.0 percent of target. Half of these performance awards, which are measured against company-specific targets, are granted at a value equal to the market price of our common stock on the date of grant, and amortized over the service period. The other half of these awards, which are measured against market-based targets, are measured based on estimated fair value as of the date of grant using a Monte Carlo simulation, and amortized over the service period. As of May 29, 2016, there was \$8.5 million of unrecognized compensation cost related to unvested equity-settled performance stock units granted under our stock plans. This cost is expected to be recognized over a weighted-average period of 2.7 years. The total fair value of equity-settled performance stock units that vested during fiscal 2016 was \$0.0 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 2016 , 2015 and 2014 was \$4.8 million , \$5.2 million and \$7.2 million , respectively.

### NOTE 16 - WORKFORCE REDUCTION

During fiscal 2014 and 2015 , we performed reviews of our operations and support structure resulting in changes in our growth plans and related support structure needs. As a result, we had workforce reductions and program spending cuts throughout fiscal 2014 and 2015. In accordance with these actions, we incurred employee termination benefits costs and other costs, which are included in general and administrative expenses in our consolidated statement of earnings as follows:

| (in millions)                     | Fiscal Year |         |         |
|-----------------------------------|-------------|---------|---------|
|                                   | 2016 (3)    | 2015    | 2014    |
| Employee termination benefits (1) | \$ 0.2      | \$ 37.4 | \$ 17.2 |
| Other (2)                         | (0.1)       | 0.5     | 0.9     |
| Total                             | \$ 0.1      | \$ 37.9 | \$ 18.1 |

(1) Includes salary and stock-based compensation expense.

(2) Includes postemployment medical, outplacement and relocation costs.

(3) Reflects subsequent adjustments to the fiscal 2014 and 2015 plans based on updated information.

The following table summarizes the accrued employee termination benefits and other costs, which are primarily included in other current liabilities on our consolidated balance sheet as of May 29, 2016 :

| (in millions)                     | Fiscal Year<br>2014 Plans | Fiscal Year<br>2015 Plans | Payments  | Adjustments | Balance at May 29,<br>2016 |
|-----------------------------------|---------------------------|---------------------------|-----------|-------------|----------------------------|
| Employee termination benefits (1) | \$ 13.4                   | \$ 24.2                   | \$ (35.9) | \$ 0.9      | \$ 2.6                     |
| Other                             | 1.1                       | 0.6                       | (1.3)     | (0.3)       | 0.1                        |
| Total                             | \$ 14.5                   | \$ 24.8                   | \$ (37.2) | \$ 0.6      | \$ 2.7                     |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Excludes costs associated with stock options and restricted stock that will be settled in shares upon vesting.

We expect the remaining liability to be paid by the second quarter of fiscal 2017.

### NOTE 17 - 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 29, 2016 and May 31, 2015, we had \$116.5 million and \$124.2 million, respectively, of standby letters of credit related to workers' compensation and general liabilities accrued in our consolidated financial statements. At May 29, 2016 and May 31, 2015, we had \$8.4 million and \$14.0 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 29, 2016 and May 31, 2015, we had \$154.2 million and \$147.7 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 weighted-average cost of capital at May 29, 2016 and May 31, 2015, amounted to \$119.3 million and \$113.4 million, respectively. We did not record a liability for the guarantees, as the likelihood of the third parties defaulting on the assignment agreements was deemed to be remote. 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 2017 through fiscal 2027.

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.

### NOTE 18 – SUBSEQUENT EVENT

On June 29, 2016, the Board of Directors declared a cash dividend of \$0.56 per share to be paid August 1, 2016 to all shareholders of record as of the close of business on July 11, 2016.

**NOTE 19 - QUARTERLY DATA (UNAUDITED)**

The following table summarizes unaudited quarterly data for fiscal 2016 and fiscal 2015 :

| (in millions, except per share data)                     | Fiscal 2016 - Quarters Ended |            |            |            |            |
|----------------------------------------------------------|------------------------------|------------|------------|------------|------------|
|                                                          | Aug. 30                      | Nov. 29    | Feb. 28    | May 29     | Total      |
| Sales                                                    | \$ 1,687.0                   | \$ 1,608.8 | \$ 1,847.5 | \$ 1,790.2 | \$ 6,933.5 |
| Earnings before income taxes                             | 111.8                        | 24.4       | 138.1      | 175.4      | 449.7      |
| Earnings from continuing operations                      | 81.0                         | 30.1       | 108.2      | 140.4      | 359.7      |
| Earnings (loss) from discontinued operations, net of tax | 5.4                          | 13.1       | (2.4)      | (0.8)      | 15.3       |
| Net earnings                                             | 86.4                         | 43.2       | 105.8      | 139.6      | 375.0      |
| Basic net earnings per share:                            |                              |            |            |            |            |
| Earnings from continuing operations                      | 0.64                         | 0.23       | 0.85       | 1.11       | 2.82       |
| Earnings (loss) from discontinued operations             | 0.04                         | 0.11       | (0.02)     | (0.01)     | 0.12       |
| Net earnings                                             | 0.68                         | 0.34       | 0.83       | 1.10       | 2.94       |
| Diluted net earnings per share:                          |                              |            |            |            |            |
| Earnings from continuing operations                      | 0.63                         | 0.23       | 0.84       | 1.10       | 2.78       |
| Earnings (loss) from discontinued operations             | 0.04                         | 0.10       | (0.02)     | (0.01)     | 0.12       |
| Net earnings                                             | 0.67                         | 0.33       | 0.82       | 1.09       | 2.90       |
| Dividends paid per share                                 | 0.55                         | 0.55       | 0.50       | 0.50       | 2.10       |
| Stock price:                                             |                              |            |            |            |            |
| High                                                     | 75.60                        | 72.11      | 64.90      | 68.62      | 75.60      |
| Low                                                      | 63.68                        | 53.38      | 55.01      | 61.90      | 53.38      |

  

| (in millions, except per share data)                     | Fiscal 2015 - Quarters Ended |            |            |            |            |
|----------------------------------------------------------|------------------------------|------------|------------|------------|------------|
|                                                          | Aug. 24                      | Nov. 23    | Feb. 22    | May 31 (1) | Total (2)  |
| Sales                                                    | \$ 1,595.8                   | \$ 1,559.0 | \$ 1,730.9 | \$ 1,878.3 | \$ 6,764.0 |
| Earnings (loss) before income taxes                      | (43.7)                       | (54.6)     | 147.1      | 126.5      | 175.3      |
| Earnings (loss) from continuing operations               | (19.3)                       | (30.8)     | 128.4      | 118.1      | 196.4      |
| Earnings (loss) from discontinued operations, net of tax | 522.5                        | (2.0)      | 5.4        | (12.8)     | 513.1      |
| Net earnings (loss)                                      | 503.2                        | (32.8)     | 133.8      | 105.3      | 709.5      |
| Basic net earnings per share:                            |                              |            |            |            |            |
| Earnings (loss) from continuing operations               | (0.14)                       | (0.24)     | 1.03       | 0.94       | 1.54       |
| Earnings (loss) from discontinued operations             | 3.95                         | (0.02)     | 0.04       | (0.11)     | 4.02       |
| Net earnings (loss)                                      | 3.81                         | (0.26)     | 1.07       | 0.83       | 5.56       |
| Diluted net earnings per share:                          |                              |            |            |            |            |
| Earnings (loss) from continuing operations               | (0.14)                       | (0.24)     | 1.01       | 0.92       | 1.51       |
| Earnings (loss) from discontinued operations             | 3.95                         | (0.02)     | 0.04       | (0.10)     | 3.96       |
| Net earnings (loss)                                      | 3.81                         | (0.26)     | 1.05       | 0.82       | 5.47       |
| Dividends paid per share                                 | 0.55                         | 0.55       | 0.55       | 0.55       | 2.20       |
| Stock price:                                             |                              |            |            |            |            |
| High                                                     | 51.21                        | 56.85      | 62.65      | 70.38      | 70.38      |
| Low                                                      | 43.56                        | 46.70      | 54.96      | 61.31      | 43.56      |

(1) The quarter ended May 31, 2015 consisted of 14 weeks, while all other quarters consisted of 13 weeks.

(2) The year ended May 31, 2015 consisted of 53 weeks, while the year ended May 29, 2016 consisted of 52 weeks.

## Five-Year Financial Summary

Financial Review 2016

| (Dollars in millions, except per share data)                                                           | Fiscal Year Ended |                     |                 |                 |                 |
|--------------------------------------------------------------------------------------------------------|-------------------|---------------------|-----------------|-----------------|-----------------|
|                                                                                                        | May 29,<br>2016   | May 31,<br>2015 (2) | May 25,<br>2014 | May 26,<br>2013 | May 27,<br>2012 |
| <b>Operating Results (1)</b>                                                                           |                   |                     |                 |                 |                 |
| Sales                                                                                                  | \$ 6,933.5        | \$ 6,764.0          | \$ 6,285.6      | \$ 5,921.0      | \$ 5,327.1      |
| Costs and expenses:                                                                                    |                   |                     |                 |                 |                 |
| Food and beverage                                                                                      | 2,039.7           | 2,085.1             | 1,892.2         | 1,743.6         | 1,553.7         |
| Restaurant labor                                                                                       | 2,189.2           | 2,135.6             | 2,017.6         | 1,892.6         | 1,683.6         |
| Restaurant expenses                                                                                    | 1,163.5           | 1,120.8             | 1,080.7         | 980.4           | 851.0           |
| Marketing expenses                                                                                     | 238.0             | 243.3               | 252.3           | 241.1           | 215.6           |
| General and administrative                                                                             | 384.9             | 430.2               | 413.1           | 384.1           | 324.9           |
| Depreciation and amortization                                                                          | 290.2             | 319.3               | 304.4           | 278.3           | 241.3           |
| Impairments and disposal of assets, net                                                                | 5.8               | 62.1                | 16.4            | 0.9             | (0.2)           |
| Total operating costs and expenses                                                                     | \$ 6,311.3        | \$ 6,396.4          | \$ 5,976.7      | \$ 5,521.0      | \$ 4,869.9      |
| Operating income                                                                                       | 622.2             | 367.6               | 308.9           | 400.0           | 457.2           |
| Interest, net                                                                                          | 172.5             | 192.3               | 134.3           | 126.0           | 102.1           |
| Earnings before income taxes                                                                           | 449.7             | 175.3               | 174.6           | 274.0           | 355.1           |
| Income tax expense (benefit)                                                                           | 90.0              | (21.1)              | (8.6)           | 36.7            | 75.9            |
| Earnings from continuing operations                                                                    | \$ 359.7          | \$ 196.4            | \$ 183.2        | \$ 237.3        | \$ 279.2        |
| Earnings from discontinued operations, net of tax expense of \$3.4, \$344.8, \$32.3, \$72.7 and \$84.9 | 15.3              | 513.1               | 103.0           | 174.6           | 196.3           |
| Net earnings                                                                                           | \$ 375.0          | \$ 709.5            | \$ 286.2        | \$ 411.9        | \$ 475.5        |
| Basic net earnings per share:                                                                          |                   |                     |                 |                 |                 |
| Earnings from continuing operations                                                                    | \$ 2.82           | \$ 1.54             | \$ 1.40         | \$ 1.84         | \$ 2.15         |
| Earnings from discontinued operations                                                                  | \$ 0.12           | \$ 4.02             | \$ 0.78         | \$ 1.35         | \$ 1.50         |
| Net earnings                                                                                           | \$ 2.94           | \$ 5.56             | \$ 2.18         | \$ 3.19         | \$ 3.65         |
| Diluted net earnings per share:                                                                        |                   |                     |                 |                 |                 |
| Earnings from continuing operations                                                                    | \$ 2.78           | \$ 1.51             | \$ 1.38         | \$ 1.80         | \$ 2.10         |
| Earnings from discontinued operations                                                                  | \$ 0.12           | \$ 3.96             | \$ 0.77         | \$ 1.33         | \$ 1.47         |
| Net earnings                                                                                           | \$ 2.90           | \$ 5.47             | \$ 2.15         | \$ 3.13         | \$ 3.57         |
| Average number of common shares outstanding:                                                           |                   |                     |                 |                 |                 |
| Basic                                                                                                  | 127.4             | 127.7               | 131.0           | 129.0           | 130.1           |
| Diluted                                                                                                | 129.3             | 129.7               | 133.2           | 131.6           | 133.2           |
| <b>Financial Position</b>                                                                              |                   |                     |                 |                 |                 |
| Total assets                                                                                           | \$ 4,582.6        | \$ 5,994.7          | \$ 7,082.7      | \$ 6,917.3      | \$ 5,928.3      |
| Land, buildings and equipment, net                                                                     | \$ 2,041.6        | \$ 3,215.8          | \$ 3,381.0      | \$ 4,391.1      | \$ 3,951.3      |
| Working capital (deficit)                                                                              | \$ (366.8)        | \$ (140.3)          | \$ 357.3        | \$ (652.0)      | \$ (1,017.2)    |
| Long-term debt, less current portion                                                                   | \$ 440.0          | \$ 1,452.3          | \$ 2,463.4      | \$ 2,476.6      | \$ 1,437.8      |
| Stockholders' equity                                                                                   | \$ 1,952.0        | \$ 2,333.5          | \$ 2,156.9      | \$ 2,059.5      | \$ 1,842.0      |
| Stockholders' equity per outstanding share                                                             | \$ 15.47          | \$ 18.42            | \$ 16.30        | \$ 15.81        | \$ 14.28        |

**Five-Year Financial Summary (continued)**

| (Dollars in millions, except per share data) | Fiscal Year Ended |                     |                 |                 |                 |
|----------------------------------------------|-------------------|---------------------|-----------------|-----------------|-----------------|
|                                              | May 29,<br>2016   | May 31,<br>2015 (2) | May 25,<br>2014 | May 26,<br>2013 | May 27,<br>2012 |
| <b>Other Statistics</b>                      |                   |                     |                 |                 |                 |
| Cash flows from operations (1)               | \$ 820.4          | \$ 874.3            | \$ 555.4        | \$ 594.4        | \$ 513.5        |
| Capital expenditures (1)                     | \$ 228.3          | \$ 296.5            | \$ 414.8        | \$ 510.1        | \$ 457.6        |
| Dividends paid                               | \$ 268.2          | \$ 278.9            | \$ 288.3        | \$ 258.2        | \$ 223.9        |
| Dividends paid per share                     | \$ 2.10           | \$ 2.20             | \$ 2.20         | \$ 2.00         | \$ 1.72         |
| Advertising expense (1)                      | \$ 238.0          | \$ 243.3            | \$ 252.3        | \$ 241.1        | \$ 215.6        |
| Stock price:                                 |                   |                     |                 |                 |                 |
| High                                         | \$ 75.60          | \$ 70.38            | \$ 55.25        | \$ 57.93        | \$ 55.84        |
| Low                                          | \$ 53.38          | \$ 43.56            | \$ 44.78        | \$ 44.11        | \$ 40.69        |
| Close                                        | \$ 67.48          | \$ 65.54            | \$ 49.55        | \$ 52.83        | \$ 53.06        |
| Number of employees                          | 150,942           | 148,892             | 206,489         | 206,578         | 181,468         |
| Number of restaurants (1)                    | 1,536             | 1,534               | 1,501           | 1,431           | 1,289           |

(1) Consistent with our consolidated financial statements, information has been presented on a continuing operations basis. Accordingly, the activities related to Red Lobster, two closed company-owned synergy restaurants, Smokey Bones, Rocky River Grillhouse and the nine Bahama Breeze restaurants closed or sold in fiscal 2007 and 2008 have been excluded.

(2) Fiscal year 2015 consisted of 53 weeks, while all other fiscal years consisted of 52 weeks.

**SUBSIDIARIES OF DARDEN RESTAURANTS, INC.**

As of May 29, 2016, we had eight “significant subsidiaries,” as defined in Regulation S-X, Rule 1-02(w), identified as follows:

1. GMRI, Inc., a Florida corporation, doing business as Olive Garden, Bahama Breeze and Seasons 52
2. Rare Hospitality International, Inc., a Georgia corporation, doing business as LongHorn Steakhouse and Olive Garden
3. Yard House USA, Inc., a Delaware corporation, doing business as Yard House
4. Capital Grille Holdings, Inc., a North Carolina corporation, doing business as The Capital Grille
5. Florida SE, LLC, a Florida limited liability company, doing business as Olive Garden
6. Rare Hospitality Management LLC, a Delaware limited liability company, doing business as LongHorn Steakhouse
7. N and D Restaurants, LLC, a Florida limited liability company, doing business as Olive Garden
8. Olive Garden of Texas, LLC, a Texas limited liability company, doing business as Olive Garden

In addition, we also had the following subsidiaries:

9. Darden Corporation, a Florida corporation
10. Seasons 52 Holdings, LLC, a Florida limited liability company, doing business as Seasons 52
11. Bahama Breeze Holdings, LLC, a Florida limited liability company, doing business as Bahama Breeze
12. Eddie V’s Holdings, LLC, a Florida limited liability company, doing business as Eddie V’s

**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. 333-191491) and on Form S-8 (Nos. 333-191490, 333-178876, 333-57410, 333-105056, 333-124363, 333-122560, 333-148260, 333-146464, 333-156557 and 333-169788) of Darden Restaurants, Inc. of our reports dated July 25, 2016 , with respect to the consolidated balance sheets of Darden Restaurants, Inc. and subsidiaries as of May 29, 2016 and May 31, 2015 , 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 29, 2016 , and the effectiveness of internal control over financial reporting as of May 29, 2016 , which reports are included in the 2016 Annual Report to Shareholders included as an exhibit to the annual report on Form 10-K of Darden Restaurants, Inc.

/s/ KPMG LLP

Orlando, Florida  
July 25, 2016  
Certified Public Accountants

**POWER OF ATTORNEY**

KNOW ALL BY THESE PRESENTS, that the undersigned constitutes and appoints Matthew R. Broad, Anthony G. Morrow and Jessica P. Lange, 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 29, 2016 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 29th day of June, 2016, by the following persons.

By: /s/ Margaret Shân Atkins  
Margaret Shân Atkins

By: /s/ Jean M. Birch  
Jean M. Birch

By: /s/ Bradley D. Blum  
Bradley D. Blum

By: /s/ James P. Fogarty  
James P. Fogarty

By: /s/ Cynthia T. Jamison  
Cynthia T. Jamison

By: /s/ Eugene I. Lee, Jr.  
Eugene I. Lee, Jr.

By: /s/ Lionel L. Nowell III  
Lionel L. Nowell III

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

By: /s/ Charles M. Sonsteby  
Charles M. Sonsteby

By: /s/ Alan N. Stillman  
Alan N. Stillman

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

I, Eugene I. Lee, 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/ Eugene I. Lee, Jr.

Eugene I. Lee, Jr.

President and Chief Executive Officer

July 25, 2016

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

I, Ricardo Cardenas, 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/ Ricardo Cardenas

Ricardo Cardenas

Senior Vice President and Chief Financial Officer

July 25, 2016

**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 29, 2016, as filed with the Securities and Exchange Commission ("Report"), I, Eugene I. Lee, Jr., President 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/ Eugene I. Lee, Jr.

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Eugene I. Lee, Jr.

President and Chief Executive Officer

July 25, 2016

**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 29, 2016, as filed with the Securities and Exchange Commission ("Report"), I, Ricardo Cardenas, 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/ Ricardo Cardenas

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Ricardo Cardenas

Senior Vice President and Chief Financial Officer

July 25, 2016