

# DARDEN RESTAURANTS INC

## FORM 8-K (Current report filing)

Filed 10/16/14 for the Period Ending 10/10/14

Address	1000 DARDEN CENTER DRIVE ORLANDO, FL 32837
Telephone	4072454000
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Symbol	DRI
SIC Code	5812 - Eating Places
Industry	Restaurants
Sector	Services
Fiscal Year	05/25

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**Date of Report: October 10, 2014  
(Date of earliest event reported)**

**DARDEN RESTAURANTS, INC.**

**(Exact name of registrant as specified in its charter)**

**Commission File Number: 1-13666**

**Florida**  
**(State or other jurisdiction of incorporation)**

**59-3305930**  
**(IRS Employer Identification No.)**

**1000 Darden Center Drive, Orlando, Florida 32837**  
**(Address of principal executive offices, including zip code)**

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

**Not Applicable**  
**(Former name or former address, if changed since last report)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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**Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

- (a) On October 13, 2014, the Board of Directors (the “Board”) of Darden Restaurants, Inc. (the “Company”) appointed Eugene I. Lee, Jr. to the position of Interim Chief Executive Officer (“Interim CEO”) effective immediately. Mr. Lee continues in his position as President of the Company. A brief biography of Mr. Lee, whose previous position was President and Chief Operating Officer of the Company, is incorporated herein by reference from the Company’s Annual Report on Form 10-K for the fiscal year ended May 25, 2014. There are no family relationships between Mr. Lee and any director or executive officer of the Company, and he has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

In connection with the appointment, the Company entered into a letter agreement with Mr. Lee (the “Letter Agreement”) dated October 13, 2014. Pursuant to the Letter Agreement, Mr. Lee’s current base salary of \$714,000 will be increased by \$25,000 per month during the period of time in which he serves as Interim CEO, which will be pro-rated for any partial months during which he serves as Interim CEO.

Pursuant to the terms of the Letter Agreement, on the Effective Date and on each one-month anniversary of the Effective Date during the time in which he serves as Interim CEO, Mr. Lee will be eligible to receive a number of restricted stock units (“RSUs”) under the 2002 Stock Incentive Plan (the “Plan”), having an aggregate value equal to \$25,000, based on the closing market price of the Company’s common shares on the New York Stock Exchange (the “NYSE”) on the Effective Date. Based on Mr. Lee’s performance as Interim CEO as determined by the Board, these RSUs will vest on the one-year anniversary of the applicable date of grant. In addition, on the Effective Date, Mr. Lee will also be eligible to receive a number of RSUs under the Plan having an aggregate value equal to \$300,000, based on the closing market price of the Company’s common shares on the NYSE. Based on Mr. Lee’s performance as Interim CEO as determined by the Board, such award of RSUs will vest on the one-year anniversary of the Effective Date, provided that (i) Mr. Lee remains employed at the Company for 60 days after the hiring of a non-interim Chief Executive Officer (even if the new Chief Executive Officer is Mr. Lee) and (ii) if a new Chief Executive Officer is appointed or hired by the Company prior to the six-month anniversary of the Effective Date, then Mr. Lee will receive a pro rata portion of the award (calculated by multiplying the award by a ratio of the number of days served as Interim CEO over 180) which will vest on the one-year anniversary of the Effective Date. Each award of RSUs described above will be subject to the terms and conditions of the Plan and the applicable award agreement issued to Mr. Lee thereunder.

The Letter Agreement further clarifies that Mr. Lee’s appointment as Interim CEO does not constitute “Good Reason” for purposes of the Amended and Restated Management Continuity Agreement (the “MCA”) and other award agreements (the “Award Agreements”) previously entered into between Mr. Lee and the Company. Furthermore, Mr. Lee’s re-appointment as the Company’s President and Chief Operating Officer following the end of his service as Interim CEO will not constitute “Good Reason” for termination of the MCA or the Award Agreements. In the event of Mr. Lee’s termination of employment with the Company, the amount of any severance and benefits he is entitled to receive will be based on the compensation and benefits as in effect immediately prior to the Effective Date. However, if he is serving a position other than Interim CEO at the time of the termination of employment, Mr. Lee’s severance and benefits will be based on the compensation and benefits then in effect. Notwithstanding the foregoing, if there is a “Change in Control” as defined in the MCA after the Effective Date, then the amount of severance and benefits Mr. Lee is entitled to receive in the event of termination of employment after the Change in Control will be based on his compensation and benefits in effect at the time of his termination of employment.

The preceding description of the Letter Agreement is qualified in its entirety by reference to the full text of the Letter Agreement, which is attached as Exhibit 10.1 and is incorporated herein by reference.

- (b) In connection with the appointment of Eugene I. Lee, Jr. as Interim CEO as described above, Clarence Otis, Jr.’s departure as Chief Executive Officer, previously disclosed in the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission (“SEC”) on July 29, 2014, became effective on October 13, 2014.
- (c) On October 16, 2014, the Board increased the number of directors of the Company from 12 to 13 and elected William S. Simon to serve as a director, effective October 16, 2014, as further described in the press release dated October 16, 2014 entitled “Darden’s Board Appoints Additional Director,” a copy of which is filed herewith as Exhibit 99.1 to this Current Report on Form 8-K. The Board appointed Mr. Simon to serve on the Audit Committee of the Board.
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The Board determined that, in its judgment, Mr. Simon satisfies the requirements for “independence” set forth in the Company’s Corporate Governance Guidelines and the applicable rules of the NYSE and SEC with respect to Audit Committee membership. There were no arrangements or understandings pursuant to which Mr. Simon was elected or any relationships or related transactions between them and the Company of the type required to be disclosed under applicable SEC rules. As described in Item 8.01 below, on October 13, 2014, the Board determined to suspend its Director Compensation Program, effective immediately, which suspension will apply to all directors including Mr. Simon.

**Item 5.07. Submission of Matters to a Vote of Security Holders.**

- (a) The Annual Meeting of Shareholders of the Company was held on October 10, 2014 in Orlando, Florida. On October 13, 2014, IVS Associates, Inc., the independent Inspector of Elections for the Annual Meeting, delivered to the Company its final, certified voting results.
- (b) The name of each director elected at the meeting, a brief description of each other matter voted upon, and the voting results, are provided below. At the Annual Meeting, the shareholders took the following actions:
  - (i) Voted on the election of 12 directors to serve until the next annual meeting of shareholders and until their successors are elected and qualified, as follows:

Board of Directors Nominees

	For	Withheld
Michael W. Barnes	27,505,742	967,806
Gregory L. Burns	24,918,090	961,481
Jeffrey H. Fox	27,507,903	964,145
Christopher J. Fraleigh	27,509,236	964,312
Steve Odland	27,495,113	978,435
Michael D. Rose	24,427,974	1,006,289
Maria A. Sastre	24,434,916	999,257
Enrique Silva	27,961,093	956,263

Starboard Value and Opportunity Master Fund Ltd Nominees

	For	Withheld
Betsy S. Atkins	78,792,021	445,357
Margaret Shan Atkins	76,784,045	2,453,333
Jean M. Birch	78,859,614	379,264
Bradley D. Blum	78,804,156	434,722
Peter A. Feld	73,348,195	2,404,590
James P. Fogarty	73,795,845	2,402,248
Cynthia T. Jamison	76,824,802	2,414,076
William H. Lenehan	76,851,677	2,385,701
Lionel L. Nowell, III	75,790,485	409,108
Jeffrey C. Smith	73,413,330	2,339,455
Charles M. Sonsteby	78,832,395	406,483
Alan N. Stillman	73,839,309	2,360,284

Based on these results, the following nominees were elected as directors at the Annual Meeting, each to serve until the next annual meeting of shareholders and until his or her successor is elected and qualified: Betsy S. Atkins, Margaret Shan Atkins, Jean M. Birch, Bradley D. Blum, Peter A. Feld, James P. Fogarty, Cynthia T. Jamison, William H. Lenehan, Lionel L. Nowell, III, Jeffrey C. Smith, Charles M. Sonsteby, and Alan N. Stillman.

(ii) Approved a resolution providing advisory approval of the Company's executive compensation.

For	68,102,259
Against	34,136,057
Abstain	2,355,728

(iii) Ratified the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending May 31, 2015.

For	101,417,210
Against	1,897,120
Abstain	1,282,995

(iv) Approved a management proposal to amend the Bylaws to provide for proxy access.

For	94,275,767
Against	9,377,958
Abstain	1,017,916

(v) Did not approve a shareholder proposal regarding political contributions.

For	33,160,481
Against	61,231,838
Abstain	10,279,322

(vi) Did not approve a shareholder proposal regarding lobbying disclosure.

For	37,951,409
Against	54,361,247
Abstain	12,358,985

(c) A copy of the news release dated October 14, 2014 announcing certified results of the 2014 Annual Meeting is attached as Exhibit 99.2 to this current report on Form 8-K and incorporated herein.

### **Item 8.01. Other Events.**

On October 13, 2014, the Board of Directors of the Company determined to suspend its Director Compensation Program, effective immediately, until the Nominating and Governance Committee of the Board has had an opportunity to review the Director Compensation Program with the assistance of the Compensation Committee's independent compensation consultant.

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**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

<b>Exhibit Number</b>	<b>Description</b>
10.1	Letter Agreement dated October 14, 2014 between Darden Restaurants, Inc. and Eugene I. Lee, Jr.
99.1	News release, dated October 16, 2014, entitled “Darden’s Board Appoints Additional Director”
99.2	News release, dated October 14, 2014, entitled “Darden Announces Certified Results Of 2014 Annual Shareholder Meeting”

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DARDEN RESTAURANTS, INC.

By: /s/ Teresa M. Sebastian

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Teresa M. Sebastian

Senior Vice President, General Counsel, Chief Compliance Officer and  
Corporate Secretary

Date: October 16, 2014

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## EXHIBIT INDEX

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99.2	News release, dated October 14, 2014, entitled "Darden Announces Certified Results Of 2014 Annual Shareholder Meeting"

October 13, 2014

Eugene I. Lee, Jr.  
[ Address ]

Dear Gene,

We are pleased to designate you to be the Interim Chief Executive Officer (the “ Interim CEO ”) of Darden Restaurants, Inc. (the “ Company ”), effective October 13, 2014 (the “ Effective Date ”). As Interim CEO, you will report to the Board of Directors of the Company (the “ Board ”) and have such duties, authority and responsibility as may be assigned to you by the By-Laws of the Company and the Board and which are commensurate with such position.

In recognition of your willingness to serve as the Interim CEO and to take on the additional responsibility that such position entails, the Company will grant to you on the Effective Date and on each one-month anniversary of the Effective Date during the period of time in which you serve as Interim CEO, an award under the Company’s 2002 Stock Incentive Plan (the “ Plan ”) of the number of restricted stock units (“ RSUs ”) having an aggregate value equal to \$25,000, based on the closing market price of the Company’s common shares on the NYSE on the Effective Date. Based on your performance as the Interim CEO, as determined by the Board, each award of RSUs described in the preceding sentence will vest on the one-year anniversary of the applicable date of grant. The Company will also grant to you on the Effective Date an award under the Plan of the number of RSUs having an aggregate value equal to \$300,000, based on the closing market price of the Company’s common shares on the NYSE on the Effective Date. Based on your performance as the Interim CEO, as determined by the Board, the award of RSUs described in the preceding sentence will vest on the one-year anniversary of the Effective Date; provided, that (a) you remain employed at the Company for a period that extends through 60 days following the hiring of a non-interim Chief Executive Officer even if such non-interim Chief Executive Officer is you, and (b) if a non-interim Chief Executive Officer is appointed or hired by the Company prior to the six-month anniversary of the Effective Date, then the award will vest on a pro rata basis on the one-year anniversary of the Effective Date, with the numerator determined based on the number of days you served as Interim CEO beginning on the Effective Date and the denominator being 180. Each award of RSUs described above will be subject to the terms and conditions of the Plan and the applicable award agreement issued to you thereunder. During the period of time in which you serve as Interim CEO, your current base salary of \$714,000 will be increased by \$25,000 per month, pro-rated for any partial months during which you serve as Interim CEO.

By signing this letter agreement (this “ Agreement ”) below, you acknowledge and agree that neither your appointment as the Interim CEO nor the assignment to you of the duties, authority and responsibility described above will constitute the basis for you to terminate your employment with the Company for Good Reason (as such term is defined in the Amended and Restated Management Continuity Agreement between you and the Company, dated October 1, 2009 (the “ MCA ”), or the award agreements that govern the terms and conditions of the equity awards held by you as of the date hereof (the “ Award Agreements ”), as applicable) under the MCA or the Award Agreements. You further acknowledge and agree that your re-appointment as the Company’s President and Chief Operating Officer following the end of your service as Interim CEO will not constitute the basis for you to terminate your employment with the Company for Good Reason under the MCA or the Award Agreements. You further acknowledge and agree that in the event of your termination of employment with the Company, the amount of any severance and benefits which you may be entitled to receive will be based on your compensation and benefits as in effect immediately prior to the Effective Date; provided, that if you are serving in a position other than Interim CEO at the time of your termination of employment, such amount will be based on your compensation and benefits then in effect. Notwithstanding the foregoing, if there is a Change of Control (as defined in the MCA) after the Effective Date, then, in the event of your termination of employment with the Company after such Change of Control, the amount of any severance and benefits which you may be entitled to receive will be based on your compensation and benefits in effect at the time of your termination of employment.

Except as modified herein, the terms and conditions of the MCA, Award Agreements and August 13, 2007 employment letter shall remain in full force and effect.

Please acknowledge your acceptance of this appointment and your understanding of, and agreement to, the foregoing by signing this Agreement in the space provided below.

Sincerely,

**Darden Restaurants, Inc.**

By /s/ Teresa M. Sebastian

Teresa M. Sebastian

SVP, General Counsel, Chief

Compliance Office and Corporate Secretary

**Acknowledged and Agreed:**

/s/ Eugene I. Lee, Jr.

Eugene I. Lee, Jr.

**NEWS/INFORMATION**

Corporate Relations

P.O. Box 695011

Orlando, FL 32869-5011

**Contacts:**

(Analysts) Matthew Stroud 407-245-5288

(Media) Bob McAdam 407-245-5404

**DARDEN'S BOARD APPOINTS ADDITIONAL DIRECTOR***Former Director Bill Simon Returning, Providing Valuable Insights and Continuity*

**ORLANDO, Fla., – October 16, 2014** – Darden Restaurants, Inc. (NYSE: DRI) today announced that its Board of Directors has appointed William S. Simon to the company's Board, effective immediately. As a result of this action, the Board also voted to expand the number of seats on the Board to 13. Simon, most recently the Chief Executive Officer of Walmart U.S. and a former senior executive at Brinker International, previously served on Darden's Board for two years but did not stand for re-election at the Company's Annual Meeting earlier this month. The Board will continue to evaluate additional qualified candidates and may, or may not, make an additional appointment to the Board in the future.

Speaking on behalf of the Board, Jeffrey C. Smith, Darden's Independent Non-Executive Chairman, commented, "My fellow Board members and I are pleased that Bill has agreed to return as a Director.

As previously indicated, we were willing to consider the right former director with the skill sets, experience and perspectives that would best complement the new Board members. Given Bill's extensive experience leading global consumer retail companies as well as his experience with companies in the restaurant, food and beverage industries, he certainly fits that criteria."

Commenting on the appointment, Simon said, "Darden has a solid foundation in place, and I'm excited to be a part of the new Board as we work to build on the current momentum and unlock the Company's full potential."

Simon, 55, served as President and Chief Executive Officer of Walmart U.S. from June 2010 to August 2014. Previously, he served as Executive Vice President and Chief Operating Officer of Walmart U.S. from March 2007 to June 2010 and Executive Vice President of Professional Services and New Business Development from March 2006 to March 2007. Prior to joining Walmart, Simon held senior executive positions at Brinker International, Inc., Diageo North America, Inc. and Cadbury Schweppes plc. Simon also served as Secretary of the Florida Department of Management Services and served 25 years in the U.S. Navy and Naval Reserves.

**About Darden Restaurants**

Darden Restaurants, Inc., (NYSE: DRI), owns and operates more than 1,500 restaurants that generate approximately \$6.3 billion in annual sales. Headquartered in Orlando, Fla., and employing 150,000 people, Darden is recognized for a culture that rewards caring for and responding to people. In 2014, Darden was named to the FORTUNE "100 Best Companies to Work For" list for the fourth year in a row. Our restaurant brands – Olive Garden®, LongHorn Steakhouse®, Bahama Breeze®, Seasons 52®, The Capital Grille®, Eddie V's® and Yard House® – reflect the rich diversity of those who dine with us. Our

brands are built on deep insights into what our guests want. For more information, please visit [www.darden.com](http://www.darden.com).

### **Information About Forward-Looking Statements**

*Forward-looking statements in this communication regarding our ability to improve performance across our brands and enhance shareholder value and all other statements that are not historical facts, including without limitation statements concerning our future economic performance, plans or objectives and expectations, benefits to Darden and its shareholders from such sale and related matters, are made under the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. 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 to reflect events or circumstances arising after such date except as required by law. We wish to caution investors not to place undue reliance on any such forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties that could cause actual results to materially differ from those anticipated in the statements. The most significant of these uncertainties are described in Darden's Form 10-K, Form 10-Q and Form 8-K reports (including all amendments to those reports). These risks and uncertainties include the ability to achieve Darden's strategic plan to enhance shareholder value including realizing the expected benefits from the sale of Red Lobster, food safety and food-borne illness concerns, litigation, unfavorable publicity, risks relating to public policy changes and federal, state and local regulation of our business including health care reform, labor and insurance costs, technology failures, failure to execute a business continuity plan following a disaster, health concerns including virus outbreaks, intense competition, failure to drive sales growth, our plans to expand our smaller brands Bahama Breeze, Seasons 52 and Eddie V's, a lack of suitable new restaurant locations, higher-than-anticipated costs to open, close, relocate or remodel restaurants, a failure to execute innovative marketing tactics and increased advertising and marketing costs, a failure to develop and recruit effective leaders, a failure to address cost pressures, shortages or interruptions in the delivery of food and other products, adverse weather conditions and natural disasters, volatility in the market value of derivatives, economic factors specific to the restaurant industry and general macroeconomic factors including unemployment and interest rates, disruptions in the financial markets, risks of doing business with franchisees and vendors in foreign markets, failure to protect our service marks or other intellectual property, impairment in the carrying value of our goodwill or other intangible assets, a failure of our internal controls over financial reporting, or changes in accounting standards, an inability or failure to manage the accelerated impact of social media and other factors and uncertainties discussed from time to time in reports filed by Darden with the Securities and Exchange Commission.*

**NEWS/INFORMATION**

Corporate Relations

P.O. Box 695011

Orlando, FL 32869-5011

**Darden Contacts:**

(Analysts) Matthew Stroud

407-245-5288

(Media) Bob McAdam

407-245-5404

**DARDEN ANNOUNCES CERTIFIED RESULTS OF 2014 ANNUAL SHAREHOLDER MEETING***Jeffrey Smith Appointed Independent Non-Executive Chairman of the Board**Gene Lee to Serve as Interim CEO*

**ORLANDO, Fla., October 14, 2014** – Darden Restaurants, Inc. (NYSE: DRI) today announced that its independent Inspector of Elections has certified the results of the Company’s 2014 annual meeting. Accordingly, shareholders have elected all 12 Starboard-nominated directors to Darden’s Board of Directors. They are: Betsy S. Atkins, Margaret Shân Atkins, Jean M. Birch, Bradley D. Blum, Peter A. Feld, James P. Fogarty, Cynthia T. Jamison, William H. Lenehan, Lionel L. Nowell, III, Jeffrey C. Smith, Charles M. Sonsteby, and Alan N. Stillman.

The Company’s new Board has appointed Jeffrey C. Smith as Independent Non-Executive Chairman of the Board. The Board also appointed Gene Lee, previously President and Chief Operating Officer, as interim Chief Executive Officer. Mr. Lee succeeds Clarence Otis, who has stepped down from his role as CEO, effective immediately.

Mr. Smith said, “The new Board and I have appreciated the energy and attitude from within the organization. Gene has proven to be an outstanding leader at Darden, and we are excited to work closely with him as our interim Chief Executive Officer. The Board’s Search Committee will conduct a full search for the next CEO of Darden, which will include both internal and external candidates.”

Commenting on the appointment, Mr. Lee said, “I am thrilled with the opportunity provided by the Board to lead the Company and our 150,000 employees as we accelerate the progress at all of our brands. Our teams are energized and looking with optimism at the opportunities ahead. Everyone at Darden is focused on delivering an outstanding experience to every guest, every time, and with that level of commitment, our company will succeed.”

Darden today also announced the appointment of the Board's committee chairs, effective immediately:

- **Cynthia T. Jamison** : Audit Committee
- **Jeffrey C. Smith** : CEO Search Committee
- **James P. Fogarty** : Compensation Committee
- **William H. Lenehan** : Finance and Real Estate Committee
- **Betsy S. Atkins** : Nominating and Governance Committee

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*food and other products, adverse weather conditions and natural disasters, volatility in the market value of derivatives, economic factors specific to the restaurant industry and general macroeconomic factors including unemployment and interest rates, disruptions in the financial markets, risks of doing business with franchisees and vendors in foreign markets, failure to protect our service marks or other intellectual property, impairment in the carrying value of our goodwill or other intangible assets, a failure of our internal controls over financial reporting, or changes in accounting standards, an inability or failure to manage the accelerated impact of social media and other factors and uncertainties discussed from time to time in reports filed by Darden with the Securities and Exchange Commission.*