

DARDEN RESTAURANTS INC  
Form DEF 14A  
August 18, 2004

## SCHEDULE 14A

(RULE 14a-101)

### INFORMATION REQUIRED IN PROXY STATEMENT

## SCHEDULE 14A INFORMATION

### PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE

### SECURITIES EXCHANGE ACT OF 1934

(AMENDMENT NO. \_\_ )

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for the Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-12

**Darden Restaurants, Inc.**

(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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August 18, 2004

Dear Shareholders:

On behalf of your Board of Directors, it is my pleasure to invite you to attend the 2004 Annual Meeting of Shareholders of Darden Restaurants, Inc. The meeting will be held on Wednesday, September 29, 2004, at 10:00 a.m., Eastern Daylight Savings Time, at the Gaylord Palms Orlando Resort Hotel, 6000 W. Osceola Parkway, Kissimmee, Florida 34746. All holders of our outstanding common shares as of the close of business on July 26, 2004, are entitled to vote at the meeting.

At this year's meeting, you will be asked to: (1) elect a full Board of 12 directors; (2) approve our amended and restated Employee Stock Purchase Plan; and (3) ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending May 29, 2005. The enclosed notice of meeting and proxy statement contain details about the business to be conducted at the meeting. Please read these documents carefully. We will set aside time at the meeting for discussion of each item of business, and we will provide you with the opportunity to ask questions. If you will need special assistance at the meeting because of a disability, please contact Paula J. Shives, Corporate Secretary, Darden Restaurants, Inc., 5900 Lake Ellenor Drive, Orlando, Florida 32809, phone (407) 245-6565.

It is important that your shares be represented at the meeting, whether or not you plan to attend in person. *We urge you to promptly mark, sign, date and return the enclosed proxy card, or vote by Internet or telephone using the instructions on the proxy card.* The proxy statement provides further information about the meeting and your voting options.

Your vote is important. Thank you for your support.

Sincerely,

Joe R. Lee

*Chairman of the Board of Directors and*

*Chief Executive Officer*

**DARDEN RESTAURANTS, INC.**

5900 Lake Ellenor Drive

Orlando, Florida 32809

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**NOTICE OF**

**2004 ANNUAL MEETING OF SHAREHOLDERS**

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TIME AND DATE OF MEETING:

10:00 a.m., Eastern Daylight Savings Time, on Wednesday,  
September 29, 2004

PLACE:

Gaylord Palms Orlando Resort Hotel  
6000 W. Osceola Parkway  
Kissimmee, Florida 34746

ITEMS OF BUSINESS:

To elect the full Board of 12 directors to serve until the next  
annual meeting of shareholders;

To approve our amended and restated Employee Stock Purchase  
Plan;

To ratify the appointment of KPMG LLP as our independent  
registered public accounting firm for the fiscal year ending May 29,  
2005; and

To transact such other business, if any, as may properly come  
before the meeting and any adjournment.

WHO CAN VOTE / RECORD DATE:

You can vote at the meeting and any adjournment if you were a  
holder of record of our common stock at the close of business on  
July 26, 2004.

ANNUAL REPORT:

A copy of our 2004 Annual Report is enclosed.

DATE OF MAILING:

This notice and the proxy statement are first being mailed to  
shareholders on or about August 18, 2004.

By Order of the Board of Directors

/s/ PAULA J. SHIVES  
**Paula J. Shives**

*Senior Vice President,*

*General Counsel and Secretary*

August 18, 2004

**DARDEN RESTAURANTS, INC.**

5900 Lake Ellenor Drive

Orlando, FL 32809

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**PROXY STATEMENT**

For Annual Meeting of Shareholders to be held on

September 29, 2004

**ABOUT THE MEETING**

**WHY DID YOU SEND ME THIS PROXY STATEMENT?**

We sent you this proxy statement and the enclosed proxy card because our Board of Directors is soliciting your proxy to vote at the 2004 Annual Meeting of Shareholders. This proxy statement summarizes information concerning the matters to be presented at the meeting and related information that will help you make an informed vote at the meeting. This proxy statement and the accompanying proxy card are first being mailed to shareholders on or about August 18, 2004.

**WHEN IS THE ANNUAL MEETING?**

The annual meeting will be held on Wednesday, September 29, 2004, at 10:00 a.m., EDST, at the Gaylord Palms Orlando Resort Hotel, 6000 W. Osceola Parkway, Kissimmee, Florida 34746.

**WHAT AM I VOTING ON?**

At the annual meeting, you will be voting:

To elect the full Board of 12 directors to serve until the next annual meeting of shareholders;

To approve our amended and restated Employee Stock Purchase Plan;

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To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending May 29, 2005; and

To consider such other business, if any, as may properly come before the meeting and any adjournment.

### HOW DO YOU RECOMMEND THAT I VOTE ON THESE ITEMS?

The Board of Directors recommends that you vote FOR each of the nominees to the Board, FOR approval of our amended and restated Employee Stock Purchase Plan, and FOR ratification of the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2005.

### WHO IS ENTITLED TO VOTE?

You may vote if you owned our common shares as of the close of business on Monday, July 26, 2004, the record date for the annual meeting.

### HOW MANY VOTES DO I HAVE?

You are entitled to one vote for each common share you own. As of the close of business on July 26, 2004, we had 157,795,459 common shares outstanding. The shares held in our treasury are not considered outstanding and will not be voted or considered present at the meeting. There is no cumulative voting.

### HOW DO I VOTE BY PROXY BEFORE THE MEETING?

Before the meeting, you may vote your shares in one of the following three ways:

By Internet, which we encourage you to do if you have Internet access, at the address shown on your proxy card;

By telephone at the number shown on your proxy card; or

By mail by completing, signing, dating and returning the enclosed proxy card.

**Please use only one of the three ways to vote.**



## ABOUT THE MEETING

Please follow the directions on your proxy card carefully. If you hold shares in the name of a broker, your ability to vote those shares by telephone or Internet depends on the voting procedures used by your broker, as explained below under the question How Do I Vote If My Broker Holds My Shares In Street Name ? The Florida Business Corporation Act provides that a shareholder may appoint a proxy by electronic transmission, so we believe that the telephone and Internet voting procedures available to shareholders are valid and consistent with the requirements of applicable law.

### MAY I VOTE MY SHARES IN PERSON AT THE MEETING?

Yes. You may vote your shares at the meeting if you attend in person, even if you previously submitted a proxy card or voted by Internet or telephone. Whether or not you plan to attend the meeting, however, we encourage you to vote your shares by proxy before the meeting.

### MAY I CHANGE MY MIND AFTER I VOTE?

Yes. You may change your vote or revoke your proxy at any time before the polls close at the meeting. You may change your vote by:

Signing another proxy card with a later date and returning it to us prior to the meeting;

Voting again by telephone or Internet prior to the meeting; or

Voting again at the meeting.

You also may revoke your proxy prior to the meeting without submitting any new vote by sending a written notice that you are withdrawing your vote to our Corporate Secretary at our address listed above.

### WHAT SHARES ARE INCLUDED ON MY PROXY CARD?

Your proxy card includes shares held in your own name and shares held in any Darden plan, including the Darden Direct Advantage Investment Program and Employee Stock Purchase Plan. You may vote these shares by Internet, telephone or mail, all as described on the enclosed proxy card.

### HOW DO I VOTE IF I PARTICIPATE IN THE DARDEN SAVINGS PLAN?

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If you hold shares in the Darden Savings Plan, which includes shares held in the Darden Stock Fund in the 401(k) plan, the Employee Stock Ownership Plan and after-tax accounts, these shares have been added to your other holdings on your proxy card. Your completed proxy card serves as voting instructions to the trustee of the Savings Plan. You may direct the trustee how to vote your Savings Plan shares by submitting your proxy vote for those shares, along with the rest of your shares, by Internet, telephone or mail, as described on the enclosed proxy card. If you do not instruct the trustee how to vote, your Savings Plan shares will be voted by the trustee in the same proportion that it votes shares in other Savings Plan accounts for which it did receive timely voting instructions.

HOW DO I VOTE IF MY BROKER HOLDS MY SHARES IN STREET NAME ?

If your shares are held in a brokerage account in the name of your bank or broker (this is called street name ), those shares are not included in the total number of shares listed as owned by you on the enclosed proxy card. Instead, your bank or broker will send you directions how to vote those shares. Many (but not all) brokerage firms and banks participate in a program provided through ADP Investor Communication Services that offers telephone and Internet voting options.

WILL MY SHARES HELD IN STREET NAME BE VOTED IF I DO NOT PROVIDE MY PROXY?

If your shares are held in the name of a brokerage firm, your shares might be voted even if you do not provide the brokerage firm with voting instructions. Under the rules of the New York Stock Exchange, on certain routine

## ABOUT THE MEETING

matters, brokerage firms have the discretionary authority to vote shares for which their customers do not provide voting instructions. The election of directors and the proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm are considered routine matters for this purpose, assuming that no contest arises as to any of these matters. The proposal to approve the amended and restated Employee Stock Purchase Plan, however, is not considered routine, so your broker will not have the discretionary authority to vote your shares on that proposal.

### WHAT IF I RETURN MY PROXY CARD OR VOTE BY INTERNET OR PHONE BUT DO NOT SPECIFY HOW I WANT TO VOTE?

If you sign and return your proxy card or complete the Internet or telephone voting procedures but do not specify how you want to vote your shares, we will vote them:

FOR the election of each of the director nominees;

FOR approval of our amended and restated Employee Stock Purchase Plan; and

FOR approval of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending May 29, 2005.

If you participate in the Darden Savings Plan and do not submit timely voting instructions, the trustee of the plan will vote the shares in your plan account in the same proportion that it votes shares in other Savings Plan accounts for which it did receive timely voting instructions, as explained above under the question How Do I Vote If I Participate In The Darden Savings Plan?

### WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE PROXY CARD?

If you received more than one proxy card, you have multiple accounts with your brokers or our transfer agent. Please vote all of these shares. We recommend that you contact your broker or our transfer agent to consolidate as many accounts as possible under the same name and address. You may contact our transfer agent, Wachovia Bank, National Association, at 1-800-829-8432.

### WHO MAY ATTEND THE MEETING?

The annual meeting is open to all holders of our common shares. To attend the meeting, you will need to register upon arrival. We also may check for your name on our shareholders' list and ask you to produce valid identification. If your shares are held in street name by your broker or bank, you should bring your most recent brokerage account statement or other evidence of your share ownership. If we cannot verify that you own Darden shares, it is possible that you may not be admitted to the meeting.

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### MAY SHAREHOLDERS ASK QUESTIONS AT THE MEETING?

Yes. Our representatives will answer your questions of general interest at the end of the meeting. In order to give a greater number of shareholders an opportunity to ask questions, we may impose certain procedural requirements, such as limiting repetitive or follow-up questions.

### HOW MANY SHARES MUST BE PRESENT TO HOLD THE MEETING?

In order for us to conduct our meeting, a majority of our outstanding common shares as of July 26, 2004, must be present in person or by proxy at the meeting. This is called a quorum. Your shares are counted as present at the meeting if you attend the meeting and vote in person or if you properly return a proxy by Internet, telephone or mail. Abstentions and broker non-votes (as explained below under the question "What Is A Broker Non-Vote ?") also will be counted for purposes of establishing a quorum.

## ABOUT THE MEETING

### HOW MANY VOTES ARE NEEDED TO ELECT DIRECTORS?

The 12 nominees receiving the highest number of FOR votes will be elected as directors. This number is called a plurality. Consequently, failing to vote, or voting your proxy to withhold authority for all or some of the nominees, will have no impact on the election of directors.

### HOW MANY VOTES ARE NEEDED TO APPROVE THE AMENDED AND RE-STATED EMPLOYEE STOCK PURCHASE PLAN?

Under Florida law, this proposal will be approved if the votes cast FOR the proposal exceed the votes cast AGAINST the proposal at the meeting. If you submit a properly executed proxy card or use the Internet or telephone to indicate ABSTAIN with respect to this proposal, your vote will not be counted as cast. Accordingly, abstentions will have no legal effect on whether this matter is approved.

### HOW MANY VOTES ARE NEEDED TO RATIFY THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM?

Shareholder approval for the appointment of our independent registered public accounting firm is not required, but the Board is submitting the selection of KPMG LLP for ratification in order to obtain the views of our shareholders. Under Florida law, this proposal will be approved if the votes cast FOR the proposal exceed the votes cast AGAINST the proposal at the meeting, including those voted by proxy card, phone and Internet. If you submit a properly executed proxy card or use the Internet or telephone to indicate ABSTAIN with respect to this proposal, your vote will not be counted as cast. Accordingly, abstentions will have no legal effect on whether this matter is approved. If the appointment of KPMG LLP is not ratified, the Audit Committee will reconsider its selection.

### WHAT IS A BROKER NON-VOTE ?

If you own shares through a broker in street name, you may instruct your broker how to vote your shares. A broker non-vote occurs when you fail to provide your broker with voting instructions and the broker does not have the discretionary authority to vote your shares on a particular proposal because the proposal is not a routine matter under the New York Stock Exchange rules. The election of directors and the proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm are each considered routine matters under the applicable rules. The proposal to approve our amended and restated Employee Stock Purchase Plan, however, is not considered routine, so your broker will not have discretionary authority to vote your shares on that proposal. A broker non-vote will have no effect on that proposal, however, because approval of the amended and restated Employee Stock Purchase Plan is based on the actual number of votes cast, and a broker non-vote will not be counted as a vote cast under the New York Stock Exchange rules.

### HOW WILL VOTING ON ANY OTHER BUSINESS BE CONDUCTED?

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We have not received proper notice of, and are not aware of, any business to be transacted at the meeting other than as indicated in this proxy statement. If any other item or proposal properly comes before the meeting, the proxies received will be voted on those matters in accordance with the discretion of the proxy holders.

### WHO PAYS FOR THE SOLICITATION OF PROXIES?

Our Board of Directors is making this solicitation of proxies on our behalf. We will pay the costs of the solicitation, including the costs for preparing, printing and mailing this proxy statement. We have hired Georgeson

## ABOUT THE MEETING

Shareholder Communications, Inc. to assist us in soliciting proxies. It may do so by telephone, in person or by other electronic communications. We anticipate paying Georgeson a fee of \$8,500, plus expenses, for these services. We also will reimburse brokers, nominees and fiduciaries for their costs in sending proxies and proxy materials to our shareholders so you can vote your shares. Our directors, officers and regular employees may supplement Georgeson's proxy solicitation efforts by contacting you by telephone or electronic communication or in person. We will not pay directors, officers or other regular employees any additional compensation for their proxy solicitation efforts.

## HOW CAN I FIND THE VOTING RESULTS OF THE MEETING?

We expect to provide a general summary of the voting results shortly after the meeting in a press release and in a posting on our website at [www.darden.com](http://www.darden.com). We also will include the voting results in our Form 10-Q for the quarter ended November 28, 2004, which we expect to file with the Securities and Exchange Commission (SEC) in January 2005.

## HOW DO I SUBMIT A SHAREHOLDER PROPOSAL FOR NEXT YEAR'S ANNUAL MEETING?

If you wish to submit a proposal to be included in our proxy statement for our 2005 Annual Meeting of Shareholders, we must receive it at our principal office on or before April 20, 2005. Please address your proposal to: Corporate Secretary, Darden Restaurants, Inc., 5900 Lake Ellenor Drive, Orlando, Florida 32809.

We will not be required to include in our proxy statement a shareholder proposal that is received after that date or that otherwise does not meet the requirements for shareholder proposals established by the SEC or set forth in our bylaws. If you would like to review our bylaws, our Corporate Secretary will send you a copy without charge on request. A copy of our bylaws also is available on our website.

## MAY SHAREHOLDERS NOMINATE DIRECTORS OR SUBMIT OTHER BUSINESS FOR NEXT YEAR'S ANNUAL MEETING?

Yes. If you would like to nominate a director or bring other business before the 2005 Annual Meeting, under our current bylaws (which are subject to amendment at any time), you must:

Notify our Corporate Secretary in writing on or before June 1, 2005; and

Include in your notice the specific information required by our bylaws.

The address for contacting our Corporate Secretary is provided in the answer to the preceding question. If you would like to review our bylaws, our Corporate Secretary will send you a copy without charge on request. A copy of our bylaws also is available on our website.

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If you are nominating a director, you also should comply with the procedures provided in our Director Nomination Protocol that is posted on our website as Appendix A to our Nominating and Governance Committee charter and discussed in further detail on page 19 under the question "Do You Have A Process For Identifying And Evaluating Director Nominees?" Our bylaws require you to provide all information concerning a director candidate that is required to be disclosed in proxy solicitations for elections of directors. The Director Nomination Protocol further asks you to provide such additional information as will allow the Nominating and Governance Committee to evaluate the candidate in light of the key principles outlined in the Protocol. This includes information concerning the candidate's commitment to our core values (integrity and fairness, respect and caring, diversity, always learning - always teaching, being of service, teamwork and excellence), personal and professional ethics, business experience and independence.



**ABOUT THE MEETING**

**ARE YOU HOUSEHOLDING FOR SHAREHOLDERS SHARING THE SAME ADDRESS?**

Yes. The SEC's rules regarding the delivery to shareholders of proxy statements, annual reports, prospectuses and information statements permit us to deliver a single copy of these documents to an address shared by two or more of our shareholders. This method of delivery is referred to as householding, and can significantly reduce our printing and mailing costs. It also reduces the volume of mail you receive. This year, we are delivering only one proxy statement and 2004 Annual Report to multiple shareholders sharing an address, unless we receive instructions to the contrary from one or more of the shareholders. We will still be required, however, to send you and each other Darden shareholder at your address an individual proxy voting card. If you would like to receive more than one copy of this proxy statement and our 2004 Annual Report, we will promptly send you additional copies upon written or oral request directed to our transfer agent, Wachovia Bank, National Association at 1-800-829-8432, or to our Corporate Secretary at Darden Restaurants, Inc., 5900 Lake Ellenor Drive, Orlando, Florida 32809. The same phone number and address may be used to notify us that you wish to receive a separate annual report or proxy statement in the future, or to request delivery of a single copy of annual reports or proxy statements if you are receiving multiple copies.

## ELECTION OF DIRECTORS AND DIRECTOR BIOGRAPHIES

### (Item 1 on Proxy Card)

HOW MANY PEOPLE ARE ON THE BOARD OF DIRECTORS AND HOW OFTEN ARE THEY ELECTED?

Our Board currently has ten members. Each director stands for election every year.

ARE ALL OF OUR DIRECTORS STANDING FOR RE-ELECTION?

Yes. All of our current directors are standing for reelection. In addition, our Board has nominated Clarence Otis, Jr. and Andrew H. Madsen to serve as directors, and has increased the size of the Board to 12 effective at the time of the 2004 Annual Meeting of Shareholders. Proxies for this annual meeting cannot be voted for more than 12 directors. In the future, the Board may increase the size of the Board and appoint or nominate for election new directors.

WHO ARE THIS YEAR'S NOMINEES?

The following directors are standing for election this year to hold office until the 2005 Annual Meeting of Shareholders and until their successors are elected. All of the nominees were nominated by our Nominating and Governance Committee, and all except Messrs. Otis and Madsen have previously served on the Board.

**LEONARD L. BERRY**, 61, Director since 2001

Distinguished Professor of Marketing and M.B. Zale Chair in Retailing and Marketing Leadership, Mays Business School, Texas A&M University, since 1982, and Professor of Humanities in Medicine, College of Medicine, Texas A&M University, since 2004.

Member of the Board of Directors of:

Genesco Inc.

Lowe's Companies, Inc.

**ODIE C. DONALD**, 54, Director since 1998

President of Odie Donald Investment Enterprises, LLC, a private investment firm, since August 2003.

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Consultant to (from July 2001 through December 2002) and former President of (from April 2000 to July 2001) DIRECTV, Inc., a direct broadcast satellite television service and a unit of Hughes Electronics Corporation.

Chief Executive Officer of Cable & Wire- less Plc, a communications company serving the Caribbean and Atlantic Islands, from 1999 to 2000.

Retired after a 25-year career with BellSouth Corporation, where he held various positions, including:

Group President Customer Operations for BellSouth Telecommunications, Inc., a provider of tariffed wireline tele-communications services and a wholly owned subsidiary of BellSouth Corporation, from 1998 to 1999.

President of BellSouth Mobility, a cellular communications company, from 1992 to 1998.

**DAVID H. HUGHES**, 60, Director since 2001

Chairman from 1986 to date and Chief Executive Officer from 1986 through May 2003 of Hughes Supply, Inc., a diversified wholesale distributor of construction and industrial materials, equipment and supplies.

Member of the Board of Directors of:

Hughes Supply, Inc.

SunTrust Banks, Inc.

Brown & Brown, Inc.

**JOE R. LEE**, 63, Director since 1995

Our Chief Executive Officer since December 1994 and Chairman of our Board since April 1995. Mr. Lee will retire as our Chief Executive Officer effective November 29, 2004. He will continue as Chairman of our Board, assuming his reelection as a director by the shareholders at the annual meeting and his reelection as Chairman by the Board at that time.

Joined Red Lobster® in 1967 as a member of its opening management team and became its President in 1975.

**ELECTION OF DIRECTORS AND DIRECTOR BIOGRAPHIES**

**(Item 1 on Proxy Card)**

From 1970 to 1995, held various positions with General Mills, Inc., a manufacturer and marketer of consumer food products and our former parent company, including Vice Chairman, with responsibility for various consumer foods businesses and corporate staff functions, Chief Financial Officer and Executive Vice President, Finance and International Restaurants.

Member of the Board of Directors of:

Tupperware Corporation

**SENATOR CONNIE MACK, III, 63, Director since March 2001**

Senior Policy Advisor for Shaw, Pittman, Potts & Trowbridge, a Washington, D.C. law firm, since February 2001.

United States Senator (R-Florida) from 1988 to 2000.

United States Congressman (R-Florida) from 1982 to 1988.

Member of the Board of Directors of:

EXACT Sciences Corporation

Genzyme Corporation

LNR Property Corporation

Moody's Corporation

**ANDREW H. (DREW) MADSEN, 48**

Will become our President and Chief Operating Officer effective November 29, 2004.

Senior Vice President and President of Olive Garden® since April 2002.

Joined us in December 1998 as Executive Vice President of Marketing for Olive Garden.

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President of International Master Publishers, Inc., a developer and marketer of consumer information products, from 1997 until December 1998.

Held various positions including Vice President and General Manager for the Dixie consumer products division of James River, now part of Georgia-Pacific Corporation, a diversified paper and building products manufacturer, from 1993 until 1997.

Held progressively more responsible positions in consumer products marketing, including Vice President of Marketing, at General Mills, Inc., a manufacturer and marketer of consumer food products and our former parent company, from 1980 to 1992.

### **CLARENCE OTIS, JR., 48**

Will become our Chief Executive Officer effective November 29, 2004.

Executive Vice President since March 2002 and President of Smokey Bones Barbeque & Grill<sup>SM</sup> since December 2002.

Senior Vice President from December 1999 until April 2002, and Chief Financial Officer from December 1999 until December 2002.

Joined us in 1995 as Vice President and Treasurer, and served as Senior Vice President, Investor Relations from July 1997 to August 1998, and as Senior Vice President, Finance and Treasurer from August 1998 until December 1999.

Managing Director and Manager of Public Finance, Chemical Securities, Inc. (now J.P. Morgan Securities, Inc.), an investment banking firm, from 1991 to 1995.

Member of the Board of Directors of:

St. Paul Travelers Companies, Inc.

VF Corp.

### **MICHAEL D. ROSE, 62, Director since 1995**

Chairman of Gaylord Entertainment Com-pany, a diversified entertainment company, since April 2001.

Private investor and Chairman of Midaro Investments, Inc., a privately held investment firm, from 1998 to present.

Chairman of the Board of Promus Hotel Corporation, a franchiser and operator of hotel brands, from 1995 to 1997.

Chairman of the Board of Harrah s Entertainment, Inc., a casino operator, from 1995 to 1996.

Chairman from 1990 to 1995 and Chief Executive Officer from 1990 to 1994 of The Promus Companies, Incorporated, a hotel operator.



**ELECTION OF DIRECTORS AND DIRECTOR BIOGRAPHIES**

**(Item 1 on Proxy Card)**

Member of the Board of Directors of:

Felcor Lodging Trust, Inc.

First Horizon National Corp.

Gaylord Entertainment Company

General Mills, Inc.

SteinMart, Inc.

**MARIA A. SASTRE**, 49, Director since 1998

Vice President, Total Guest Satisfaction Services for Royal Caribbean International, a unit of Royal Caribbean Cruises, Ltd., a global cruise line company, since 2000.

Vice President for Latin America and Miami from 1995 to 1999 and Director of International Sales and Marketing for Asia, Europe and Latin America from 1994 to 1995 for United Air Lines, Inc., a commercial air transportation company.

Member of the Board of Directors of:

Laidlaw International, Inc.

**JACK A. SMITH**, 69, Director since 1995

Retired; Chairman from 1994 until 1999 and Chief Executive Officer from 1987 to 1998 of The Sports Authority, Inc., a national sporting goods chain, which he founded in 1987.

Prior to founding The Sports Authority, held various executive management positions with major national retailers, including Herman's Sporting Goods (Chief Operating Officer), Sears, Roebuck and Co. and Montgomery Ward & Co.

Member of the Board of Directors of:

Compex Technologies

**BLAINE SWEATT, III**, 56, Director since 1995

Our President, New Business Development since February 1996 and Executive Vice President since April 1995.

Led teams that developed Olive Garden, Bahama Breeze<sup>®</sup>, Smokey Bones<sup>®</sup> and Seasons 52<sup>SM</sup> concepts, among others.

Joined Red Lobster in 1976 and named Director of New Restaurant Concept Development in 1981.

From 1986 to 1989, held various positions with General Mills, Inc., a manufacturer and marketer of consumer food products and our former parent company.

**RITA P. WILSON**, 57, Director since 2000

Retired; President from 1999 until 2000 of Allstate Indemnity Company, an insurance provider and subsidiary of Allstate Insurance Company.

Senior Vice President - Corporate Relations of Allstate Insurance Company, an insurance provider, from 1996 to 1999.

WHAT HAPPENS IF A NOMINEE IS UNWILLING OR UNABLE TO SERVE?

Each of the nominees has consented to being named in this proxy statement and to serve as a director if elected. If a nominee is not able to serve, proxies may be voted for a substitute nominated by the Board of Directors. However, we do not expect this to occur.

HOW DO YOU RECOMMEND THAT I VOTE ON THIS ITEM?

The Board recommends a vote FOR the election of each of the nominees listed above. The shares represented by proxy will be voted FOR the election of these nominees unless you specify otherwise.



## APPROVAL OF EMPLOYEE STOCK PURCHASE PLAN

### (Item 2 on Proxy Card)

#### WHAT ARE YOU ASKING ME TO APPROVE?

The Darden Restaurants, Inc. Employee Stock Purchase Plan (the "Purchase Plan") was originally adopted by our Board of Directors on June 23, 1998. It was approved by our shareholders on September 24, 1998, and became effective on January 1, 1999.

Under the Purchase Plan in its current form, eligible employees can purchase up to an aggregate of 2,100,000 shares of our common stock (as adjusted to reflect our May 2002 stock split) at a discount. The discounted purchase price is 85 percent of the fair market value of our stock on the first or last trading day of the offering period, whichever is lower. The offering period currently is a calendar quarter. To be eligible to participate in the Purchase Plan, employees must be employed by us for at least one year, but executive officers filing reports under Section 16 of the Securities Exchange Act of 1934 are not eligible to participate.

On June 15, 2004, our Board of Directors adopted the amended and restated Purchase Plan to be effective on January 1, 2005, subject to approval by our shareholders at the 2004 Annual Meeting. Accordingly, we are asking you to approve at the Annual Meeting the amended and restated Purchase Plan in the form attached as Exhibit A to this proxy statement.

The amended and restated Purchase Plan will:

Increase the number of shares of our common stock available for purchase under the Purchase Plan by 1,500,000 shares, to a total of 3,600,000 shares;

Provide that the discounted purchase price of shares purchased under the Purchase Plan may be changed prior to any offering period by the Compensation Committee, but in no event will be less than 85 percent of the fair market value of our stock on the first or last trading day of the offering period; and

Provide that the length of the offering period, currently a calendar quarter, may be changed prior to any offering period by the Compensation Committee, but in no event will be greater than one year.

The material features of the amended and restated Purchase Plan are summarized below. The summary is not a complete description of all the provisions of the amended and restated Purchase Plan and is qualified in its entirety by reference to the complete text of the amended and restated Purchase Plan, which is attached as Exhibit A to this proxy statement.

#### WHAT IS THE PURPOSE OF THE PLAN?

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The purpose of the Purchase Plan is to provide eligible employees with an opportunity to acquire an equity interest in us through the purchase of our common stock, as an incentive to promote the profitable growth of our company. Nearly all of the shares to be issued under the Purchase Plan shall be issued to U.S. participants under the portion of the plan (the U.S. portion of the Purchase Plan ) that is intended to be an employee stock purchase plan within the meaning of Section 423 of the Internal Revenue Code of 1986, as amended (the Code ). The remaining shares may be issued to international participants under the portion of the Purchase Plan that provides for the issuance of shares to employees who work or reside in other countries, primarily Canada, subject to terms and conditions that may be established by the Compensation Committee (the international portion of the Purchase Plan ). The international portion of the Purchase Plan is not subject to the provisions of Section 423 of the Code.

### HOW IS THE PLAN ADMINISTERED?

The Purchase Plan is administered by our Compensation Committee. The Compensation Committee is authorized to make determinations with respect to the administration and interpretation of the Purchase Plan, and to make

## APPROVAL OF EMPLOYEE STOCK PURCHASE PLAN

### (Item 2 on Proxy Card)

such rules as may be necessary to carry out its provisions. The Compensation Committee may delegate its authority to administer the Purchase Plan to a plan custodian or to our directors, officers, employees or agents as it may deem appropriate from time to time.

### HOW MANY SHARES ARE AVAILABLE FOR PURCHASE?

The amended and restated Purchase Plan will increase the number of shares of our common stock available for purchase by 1,500,000 shares to an aggregate of 3,600,000 shares. As of July 26, 2004, 1,652,177 of these shares had already been purchased. The number of shares available for purchase under the Purchase Plan is subject to adjustment to reflect any stock dividend, stock split, recapitalization, share combination or similar change that occurs in our capitalization. The shares available for purchase under the Purchase Plan may be authorized but unissued shares, treasury shares or shares acquired in the open market or otherwise. Up to 3,500,000 of the 3,600,000 available shares may be issued to U.S. participants as part of the U.S. portion of the Purchase Plan, while the remaining 100,000 shares may be issued to international participants, primarily Canadian employees, under the international portion of the Purchase Plan. On July 26, 2004, the closing price of our common stock, as reported on the New York Stock Exchange, was \$21.47.

### WHO MAY PARTICIPATE IN THE PLAN?

Each of our employees, and each employee of our subsidiaries designated by the Compensation Committee, are eligible to participate in the U.S. portion of the Purchase Plan, provided that:

The employee's customary employment is more than 20 hours per week and more than five months per year;

The employee has been employed by us or a designated subsidiary for at least one year;

The employee is not both a highly compensated employee within the meaning of Section 414(q) of the Code and one of our executive officers subject to Section 16(b) of the Securities Exchange Act of 1934; and

Immediately after the grant of the right to purchase shares under the Purchase Plan, the employee would not own shares (including shares which such employee may purchase under the Purchase Plan or under outstanding options) having five percent or more of the total combined voting power or value of all classes of our capital stock or of any subsidiary.

The Compensation Committee also has the power and authority to allow any of our employees who work or reside outside of the United States to participate in the international portion of the Purchase Plan in accordance with such special terms and conditions as the Compensation Committee may establish from time to time. As of July 26, 2004, there were approximately 5,804 participants in the Purchase Plan and approximately 95,030 employees were eligible to participate in the Purchase Plan.

### HOW DO EMPLOYEES PARTICIPATE IN THE PLAN?

Participation in the Purchase Plan is voluntary. An eligible employee may elect to participate in the Purchase Plan by authorizing us to withhold from the participant's compensation certain amounts (not to exceed \$5,000 per calendar quarter and not less than \$10 per pay period) and to apply those amounts to purchase shares of our common stock. A participant may increase, decrease or stop the amount to be deducted from his or her compensation upon proper notice. Participants may also make contributions to the Purchase Plan by personal check or money order (subject to the \$5,000 contribution limitation). No participant may purchase shares under the U.S. portion of the Purchase Plan if such shares, together with common stock purchased by such participant under all other employee stock purchase plans, as defined in Section 423(b) of the Code, would have a fair market value in excess of \$25,000 per calendar year. In addition, no participant may purchase more than

## APPROVAL OF EMPLOYEE STOCK PURCHASE PLAN

### (Item 2 on Proxy Card)

1,000 shares during a calendar quarter. Participating employees may terminate their participation in the Purchase Plan at any time and receive the cash and shares held in their account, subject to the terms of the Purchase Plan and to such terms and conditions as the Compensation Committee may establish. Except as otherwise provided in the Purchase Plan, the funds accumulated in each participant's account on the last day of the offering period will be used to purchase shares.

### WHAT IS THE OFFERING PERIOD?

Unless otherwise determined by the Compensation Committee, each calendar quarter is an offering period under the Purchase Plan. The Compensation Committee may, in its discretion and with prior notice, change the offering period from time to time, provided that in no event will an offering period be greater than one year.

### WHAT IS THE PURCHASE PRICE?

Unless otherwise determined by the Compensation Committee, the purchase price of shares will be 85 percent of the mean between the highest and lowest selling prices of a share of our common stock as quoted by the New York Stock Exchange on either the first or last trading day of the offering period, whichever is lower (the Discounted Purchase Price). The Compensation Committee may, in its discretion and with prior notice, change the Discounted Purchase Price from time to time, provided that in no event will the Discounted Purchase Price be less than 85 percent of the mean between the highest and lowest selling prices of a share of our common stock as quoted on the New York Stock Exchange on either the first or last trading day of the offering period, whichever is lower.

### WHAT RIGHTS DO EMPLOYEES HAVE WITH RESPECT TO PURCHASED SHARES?

Each participant retains the rights associated with his or her purchased shares and customarily accruing to an owner of record, including the right to receive dividends (whether paid in cash, shares or otherwise) and the right to receive notices of and vote at shareholders' meetings. All cash dividends and other cash distributions paid on shares held in a participant's account are used to purchase additional shares of our common stock in the open market on the dividend payment date or as promptly thereafter as practicable. Shares purchased on the open market with cash dividends and distributions do not count against the total number of shares available for purchase under the Purchase Plan. The price per share of shares purchased is the weighted average price per share at which such shares are actually purchased in the open market for the related dividend on behalf of all participants. All non-cash dividends and other non-cash distributions paid on shares held in a participant's account are held for the benefit of such participant. Shares acquired under the Purchase Plan may not be sold or otherwise disposed of for at least one year after the date on which the shares were acquired for the account of the participant, except in the case of termination of employment, retirement, death or disability.

### WHAT HAPPENS ON TERMINATION OF EMPLOYMENT?

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Upon a participant's termination of employment with us for any reason, his or her participation in the Purchase Plan will cease, and the accumulated payroll deductions and cash contributions for that offering period will be paid, in cash, to the participant or the participant's estate or designated beneficiary within 30 days following the date of such termination, together with all shares held in the participant's account.

MAY THE PLAN BE TERMINATED OR AMENDED?

The Compensation Committee may terminate or amend the Purchase Plan at any time, but the Compensation Committee may not, without shareholder approval:

Change the class of individuals eligible to purchase shares under the Purchase Plan;

## APPROVAL OF EMPLOYEE STOCK PURCHASE PLAN

### (Item 2 on Proxy Card)

Increase the maximum number of shares available for purchase under the Purchase Plan, except as otherwise permitted under the Purchase Plan; or

Change the Discounted Purchase Price so that it is less than 85 percent of the mean between the highest and lowest selling prices of a share of Darden common stock as quoted on the New York Stock Exchange on either the first or last trading day of the offering period, whichever is lower.

The Purchase Plan will automatically terminate when all shares available under the Purchase Plan have been sold.

### WHAT IS THE AMOUNT OF FUTURE BENEFITS UNDER THE PLAN?

Because the amount of future benefits under the Purchase Plan will depend on participant elections and the fair market value of our common stock, the amount of such benefits is not determinable. Our directors and executive officers filing reports under Section 16 of the Securities Exchange Act of 1934 are not eligible to participate in the Purchase Plan. During fiscal 2004, all participating employees, including our current officers who are not Section 16 executive officers, as a group (6,800 persons), purchased 319,299 shares of common stock under the Purchase Plan at the weighted average purchase price per share of \$16.13.

### WHAT ARE THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN?

The following is a brief summary of the federal income tax aspects of the share purchase rights that may be granted under the Purchase Plan based upon federal income tax laws in effect on the date of this proxy statement. This summary is not intended to be exhaustive and does not describe foreign, state or local tax consequences.

The U.S. portion of the Purchase Plan, and the right of participants to make purchases of our common stock pursuant to the U.S. portion of the Purchase Plan, are intended to be eligible for the favorable tax treatment provided by Sections 421 and 423 of the Code. There are no tax deductions available for amounts paid by participants to acquire shares under the Purchase Plan. A participant will realize no income upon the grant of the share purchase rights or upon the purchase of common stock under the Purchase Plan, and we will not be entitled to any deduction at the time of grant of the rights or purchase of the shares. Taxable income will not be recognized until there is a sale or other disposition of the shares acquired under the Purchase Plan or in the event the participant should die while still owning the purchased shares.

The amount of a participant's tax liability upon disposition of the shares acquired will depend on whether or not the participant satisfies the prescribed holding period as summarized below. If the participant holds the shares purchased for the prescribed holding period of two years from the grant of the share purchase right and one year from the purchase date, then upon disposition of shares we will receive no deduction and the participant will recognize:

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ordinary income on the lesser of the participant's gain on the sale or the purchase price discount under the Purchase Plan, applied to the fair market value of the shares at the first day of the offering period; and

long-term capital gain (or loss) on the difference between the sale price and the sum of the purchase price and any ordinary income recognized on the disposition.

However, consequences for both us and the participant would differ if the participant did not satisfy the prescribed holding period described above. In the event that the shares are sold or disposed of (including by way of gift) before the expiration of the prescribed holding periods, the excess of the fair market value of the shares on the date such shares are purchased over the purchase price of such shares will be treated as ordinary income to the participant. This excess will constitute ordinary income in the year of



**APPROVAL OF EMPLOYEE STOCK PURCHASE PLAN**

**(Item 2 on Proxy Card)**

sale or other disposition even if no gain is realized on the sale or a gratuitous transfer of the shares is made. The balance of any gain will be treated as capital gain and will be treated as long-term capital gain if the shares have been held more than one year. Even if the shares are sold for less than their fair market value on the date the shares are purchased, the same amount of ordinary income is attributed to a participant and a capital loss is recognized equal to the difference between the sales price and the value of the shares on such date of purchase. We ordinarily will be allowed a tax deduction at the time and in the amount of the ordinary income recognized by the participant.

If the participant still owns the purchased shares at the time of death, the lesser of the amount by which the fair market value of the shares on the date of death exceeds the purchase price of such shares, or the purchase price discount applied to the fair market value of the shares at the first day of the offering period in which those shares were acquired, will be treated as ordinary in the year of death. We ordinarily will be allowed a tax deduction at the time and in the amount of the ordinary income recognized by the participant.

**HOW DO YOU RECOMMEND THAT I VOTE ON THIS ITEM?**

The Board recommends a vote FOR approval of the amended and restated Purchase Plan in the form attached as Exhibit A to this proxy statement.

**APPROVAL OF EMPLOYEE STOCK PURCHASE PLAN****(Item 2 on Proxy Card)**

## EQUITY COMPENSATION PLAN INFORMATION

The following table gives information about our common shares that may be issued as of May 30, 2004 under our 2002 Stock Incentive Plan ( 2002 Plan ), Stock Option and Long-Term Incentive Plan of 1995 ( 1995 Plan ), Restaurant Management and Employee Stock Plan of 2000 ( 2000 Plan ), Stock Plan for Directors ( Director Stock Plan ), Compensation Plan for Non-Employee Directors ( Director Compensation Plan ), Stock Option and Long-Term Incentive Conversion Plan ( Conversion Plan ) and Employee Stock Purchase Plan.

<u>Plan category</u>	<u>(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights <sup>(1)</sup></u>	<u>(b) Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
Equity compensation plans approved by security holders <sup>(2)</sup>	21,396,726	\$ 14.21	10,663,395 <sup>(3)</sup>
Equity compensation plans not approved by security holders <sup>(4)</sup>	4,292,273	\$ 18.38	116,281 <sup>(5)</sup>
<b>Total</b>	<b>25,688,999</b>	<b>\$ 14.91</b>	<b>10,779,676</b>

<sup>(1)</sup> Includes deferred compensation obligations that may be paid out in common stock, and 787,132 shares of common stock issuable upon exercise of options under the Conversion Plan.

<sup>(2)</sup> Includes the 2002 Plan, 1995 Plan, Conversion Plan and Employee Stock Purchase Plan.

<sup>(3)</sup> In addition to grants of options, warrants or rights, includes up to 8,172,733 shares of common stock or other stock-based awards, including up to 1,322,733 shares of restricted stock, that may be issued under the 2002 Plan, up to 191,227 shares of restricted stock that may be issued under the 1995 Plan, and up to 459,157 shares of common stock that may be issued under the Employee Stock Purchase Plan, before giving effect to the proposal to approve the amended and restated Employee Stock Purchase Plan that authorizes an additional 1,500,000 shares.

<sup>(4)</sup> Includes the 2000 Plan, Director Stock Plan and Director Compensation Plan.

<sup>(5)</sup> In addition to grants of options, warrants or rights, includes up to 91,862 shares of common stock that may be issued under the Director Compensation Plan, and up to 24,419 shares of common stock that may be issued under the Director Stock Plan. Does not include shares under the 2000 Plan, because no new awards could be made under that plan after January 1, 2004.

## APPROVAL OF EMPLOYEE STOCK PURCHASE PLAN

### (Item 2 on Proxy Card)

#### WHAT ARE THE KEY FEATURES OF THE 2000 PLAN?

The 2000 Plan provided for the issuance of up to 5,400,000 shares of common stock out of our treasury as non-qualified stock options, restricted stock or restricted stock units. No awards could be made under the 2000 Plan after January 1, 2004, but options and other awards granted prior to that time remain outstanding and will vest in accordance with their terms. Only our employees other than executive officers were eligible to receive awards under the 2000 Plan. The purpose of the 2000 Plan was to provide incentives and awards to employees who may be responsible for the management, growth and sound development of our restaurants, and to align the interests of employees with the interests of our shareholders. The 2000 Plan is administered by the Compensation Committee of the Board of Directors. The exercise price of a stock option granted under the 2000 Plan could not be less than the fair market value of the underlying stock on the date of grant, and no option could have a term of more than ten years. The options currently outstanding under the 2000 Plan generally vest one to four years after the date of grant and expire ten years from the date of grant. The 2000 Plan was approved by our Board of Directors.

#### WHAT ARE THE KEY FEATURES OF THE DIRECTOR STOCK PLAN?

The Director Stock Plan provides for the issuance of up to 375,000 shares of common stock out of our treasury as non-qualified stock options, restricted stock, restricted stock units or stock awards. Our non-employee directors are the only persons eligible to receive awards under the Director Stock Plan. The purpose of the Director Stock Plan is to provide incentives and awards to non-employee directors to align their interests with those of our shareholders. The Director Stock Plan is administered by the Compensation Committee of the Board of Directors. The exercise price of a stock option granted under the Director Stock Plan may not be less than the fair market value of the underlying stock on the date of grant, and no option may have a term of more than ten years. The options that are currently outstanding under the Director Stock Plan generally vest one to three years after the date of grant and expire ten years from the date of grant. The restrictions on restricted stock and restricted stock units granted under the plan generally lapse one year after the date of grant. The Director Stock Plan was approved by our Board of Directors. No awards may be made under the Director Stock Plan after September 30, 2005.

#### WHAT ARE THE KEY FEATURES OF THE DIRECTOR COMPENSATION PLAN?

The Director Compensation Plan provides for the issuance of up to 105,981 shares of common stock out of our treasury. The plan allows us to award cash, deferred cash and common stock. Our non-employee directors are the only persons eligible to receive awards under the plan. The purpose of the plan is to provide incentives and awards to non-employee directors to align their interests with those of our shareholders. The plan is administered by the Compensation Committee of the Board of Directors and was approved by the Board. No awards may be made under the Director Stock Plan after September 30, 2005.

**APPROVAL OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**(Item 3 on Proxy Card)**

HAS THE AUDIT COMMITTEE APPROVED KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM?

Yes. The Audit Committee of our Board of Directors has appointed KPMG LLP as our independent registered public accounting firm for the fiscal year ending May 29, 2005. KPMG LLP has served as our independent registered public accounting firm since 1995. Shareholder approval for this appointment is not required, but the Board is submitting the selection of KPMG LLP for ratification to obtain the views of our shareholders. If the appointment is not ratified, the Audit Committee will reconsider its selection. Even if the appointment is ratified, the Audit Committee, which is solely responsible for appointing and terminating our independent registered public accounting firm, may in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of our company and our shareholders. Representatives of KPMG LLP are expected to be present at the annual meeting and will be given an opportunity to make a statement and answer appropriate shareholder questions.

HOW DO YOU RECOMMEND THAT I VOTE ON THIS ITEM?

The Board of Directors recommends a vote FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending May 29, 2005. Proxies will be voted FOR this proposal unless shareholders specify otherwise in their proxy.

**MEETINGS OF THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD**

HOW OFTEN DID THE BOARD MEET IN FISCAL 2004?

During the fiscal year ended May 30, 2004, the Board of Directors met six times, with no actions taken by written consent, and the various committees of the Board met or took action a total of 28 times. For the period of his or her Board service in fiscal 2004, each incumbent director attended at least 75 percent of the aggregate of the total number of meetings of the Board, and the total number of meetings of the committees on which the director served.

WHICH OF YOUR DIRECTORS ARE CONSIDERED INDEPENDENT ?

Our Board has affirmatively determined, by resolution of the Board as a whole, that the following directors have no direct or indirect material relationship with us and satisfy the requirements to be considered independent as defined in our Corporate Governance Guidelines and the New York Stock Exchange listing standards: Leonard Berry; Odie Donald; David Hughes; Senator Connie Mack, III; Michael Rose; Maria Sastre; Jack Smith and Rita Wilson. Our standards for determining independence are included as part of our Corporate Governance Guidelines posted on our website, and are attached as Exhibit B to this proxy statement. In some respects, our director independence standards are more strict than required by applicable New York Stock Exchange rules.

HAS THE BOARD APPOINTED A LEAD DIRECTOR?

Yes. Our non-employee directors have designated Odie C. Donald to serve as Lead Director to chair the Board's executive sessions of non-employee directors. The Lead Director also advises the Chairman of the Board and committee Chairs with respect to agendas and information needs relating to Board and committee meetings, and performs such other duties as the Board may from time to time assign to assist the Board in fulfilling its responsibilities.

DO YOU HAVE A PROCESS FOR SHAREHOLDER COMMUNICATIONS WITH THE BOARD?

Yes. We believe that communication between the Board, shareholders and other interested parties is an important part of our corporate governance process. To this end, our Board has adopted Shareholder Communication Procedures that are posted on our website. In general, shareholders may send communications to the attention of the Board, any individual director or the non-management directors as a group, through the Lead Director. Communications may be sent in writing or via email to: Odie C. Donald, Lead Director, Darden Restaurants, Inc. c/o Paula J. Shives, Senior Vice President, General Counsel and Secretary, 5900 Lake Ellenor Drive, Orlando, FL 32809. Email: leaddirector@arden.com.

The Corporate Secretary will act as agent for the Lead Director in facilitating direct communications to the Board. The Corporate Secretary will review, sort and summarize the communications. The Corporate Secretary will not, however, filter out any direct communications from being presented to the Lead Director without instruction from the Lead Director, and in such event, any communication that has been filtered out will be made available to any non-employee director who asks to review it. The Corporate Secretary will not make independent decisions with regard to what communications are forwarded to the Lead Director. The Lead Director will forward communications as appropriate to the Board, individual directors or the non-management directors as a group, and will respond to communications or direct others to respond, as appropriate.



## MEETINGS OF THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

### DO YOU HAVE A PROCESS FOR IDENTIFYING AND EVALUATING DIRECTOR NOMINEES?

Yes. Our Nominating and Governance Committee has adopted a Director Nomination Protocol that is posted on our website as Appendix A to the Nominating and Governance Committee charter and that describes in detail the process we use to fill vacancies and add new members to our Board of Directors.

Under the Director Nomination Protocol, in general, while there are no specific minimum qualifications for nominees, any candidate for service on our Board should possess the highest personal and professional ethics and be committed to representing the long-term interests of our shareholders. Director candidates should be committed to our core values (integrity and fairness, respect and caring, diversity, always learning - always teaching, being of service, teamwork and excellence), and possess a wide range of experience in the business world. We also will consider the candidate's independence under applicable New York Stock Exchange rules.

The Nominating and Governance Committee will identify potential candidates for nomination, and a search firm may be engaged to identify additional candidates and assist with initial screening. The Chair of the Committee and the Chief Executive Officer perform the initial screening, obtain and review additional information, and identify candidates that they feel are best qualified to serve. The Chair of the Committee, the Chief Executive Officer and one or more representatives of the Board appointed by the Chairman of the Board will meet with the leading candidates to further assess their qualifications and fitness. The Board representatives and Chief Executive Officer will make a recommendation concerning the candidate to the Nominating and Governance Committee, which will consider whether to recommend the candidate to the full Board for nomination.

### WILL YOU CONSIDER DIRECTOR CANDIDATES RECOMMENDED BY SHAREHOLDERS?

Yes. The Nominating and Governance Committee will consider candidates recommended by shareholders. The procedures that shareholders should use to nominate directors are provided on page five under the question "May Shareholders Nominate Directors Or Submit Other Business For Next Year's Annual Meeting?" There are no differences in the manner of evaluation if the nominee is recommended by a shareholder.

### ARE DIRECTORS REQUIRED TO ATTEND THE ANNUAL MEETING OF SHAREHOLDERS?

Yes. Our Corporate Governance Guidelines provide that directors are expected to attend all scheduled Board and committee meetings and the Annual Meeting of Shareholders. All of our incumbent directors attended last year's Annual Meeting of Shareholders.

### WHAT BOARD COMMITTEES DO YOU HAVE?

Our Board has six committees that operate under charters adopted by the Board of Directors. The charters for all of our committees are posted on our website at [www.darden.com](http://www.darden.com). Each member of every committee except the Executive Committee is an outside, independent director as

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defined in our Corporate Governance Guidelines and the New York Stock Exchange listing standards. Unless otherwise required by applicable laws, regulations or listing standards, all major decisions are considered by the Board of Directors as a whole.

*Executive Committee.* The Executive Committee consists of six directors: Mr. Lee (Chair), Mr. Donald, Mr. Rose, Ms. Sastre, Mr. Smith and Ms. Wilson. The Executive Committee did not meet during fiscal 2004. Under our bylaws, the Executive Committee has the authority to take



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**MEETINGS OF THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD**

all actions that could be taken by the full Board of Directors. The Executive Committee may meet between regularly scheduled Board meetings to take such action as it determines is necessary for our efficient operation.

*Audit Committee.* The Audit Committee consists of four outside independent directors: Mr. Smith (Chair), Mr. Hughes, Senator Mack and Ms. Sastre. The Board has determined that Mr. Smith is an audit committee financial expert as required by SEC rules and that all members of the Committee are financially literate under the New York Stock Exchange listing standards. The Audit Committee met seven times during fiscal 2004. The Audit Committee has sole responsibility for appointing and terminating our independent registered public accounting firm. The Audit Committee meets separately with representatives of our independent registered public accounting firm and with representatives of senior management and our internal audit department. The Audit Committee's primary purpose is to assist the Board in its oversight responsibilities to shareholders, specifically with respect to:

The integrity of our financial statements;

Our compliance with legal and regulatory requirements;

The independent registered public accounting firm's qualifications and independence; and

The performance of our internal audit function and independent registered public accounting firm.

Another primary purpose of the Audit Committee is to furnish the report required by the SEC's proxy rules that appears below in this proxy statement under the heading "Audit Committee Report." The full charter of the Audit Committee is attached to this proxy statement as Exhibit C, and is available on our website.

*Compensation Committee.* The Compensation Committee consists of four outside independent directors: Mr. Rose (Chair), Dr. Berry, Mr. Donald and Ms. Wilson. The Compensation Committee met seven times during fiscal 2004. The primary purposes and responsibilities of the Compensation Committee are to:

Review and approve corporate goals and objectives relevant to Chief Executive Officer compensation, evaluate the Chief Executive Officer's performance in light of those goals and objectives, and make recommendations to the other independent directors who shall, together with the Committee, determine and approve the Chief Executive Officer's compensation based on this evaluation.

Make recommendations to the other independent directors who shall, together with the Committee, determine and approve compensation levels for employee directors other than the Chief Executive Officer;

Make recommendations to the Board with respect to compensation, incentive compensation plans and equity-based plans for executive officers; and

Furnish an annual report on executive compensation that appears below in this proxy statement under the heading "Compensation Committee Report."

*Nominating and Governance Committee.* The Nominating and Governance Committee consists of four outside independent directors: Mr. Donald (Chair), Mr. Hughes, Mr. Rose and Mr. Smith. The Nominating and Governance Committee met five times during fiscal 2004. The primary purposes and responsibilities of the Nominating and Governance Committee are to:

Identify individuals qualified to become Board members, consistent with criteria approved by the Board, and to select, or to recommend that the Board select, the director nominees for the next annual meeting of shareholders;

Develop and recommend to the Board a set of corporate governance principles applicable to us; and

Oversee the evaluation of the Board and management.

## MEETINGS OF THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

The Nominating and Governance Committee has also adopted a Director Nomination Protocol that describes the process by which we intend to fill vacancies and add new members to our Board of Directors. The Protocol is attached as Appendix A to the Committee's charter, and is posted on our website. The Protocol is described in more detail on page 19 under the question "Do You Have A Process For Identifying And Evaluating Director Nominees?"

*Finance Committee.* The Finance Committee consists of three outside independent directors: Ms. Sastre (Chair), Dr. Berry and Senator Mack. The Finance Committee met two times during fiscal 2004. The primary purposes and responsibilities of the Finance Committee are to:

Review the financial policies and performance objectives developed by management pertaining to capital spending and finance requirements, debt ratio, dividend policy and other financial matters;

Review material changes to our capital structure and financial arrangements, including timing and maturity of debt, common stock sales and repurchases, and acquisitions or joint ventures;

Review major borrowing commitments; and

Review and make recommendations regarding other significant financial transactions.

*Public Responsibility Committee.* The Public Responsibility Committee consists of four outside independent directors: Ms. Wilson (Chair), Dr. Berry, Mr. Hughes and Senator Mack. The Public Responsibility Committee met once during fiscal 2004. The primary purposes and responsibilities of the Public Responsibility Committee are to:

Review our key public policy positions and the manner in which we conduct our government relations activities;

Review our actions in furtherance of our corporate social responsibility, including diversity; and

Review the impact of our procedures on employees, consumers and communities, especially with respect to environmental, health and safety issues.

## HOW ARE DIRECTORS COMPENSATED?

Directors who also are our employees do not receive additional compensation for serving on the Board of Directors. During fiscal 2004, each non-employee director received an annual retainer of \$15,000 plus \$1,000 for each Board meeting attended, and \$700 for each committee meeting attended. The Chair of the Audit Committee and Compensation Committee each received an additional \$10,000 annual retainer, and the Chair of the other Board Committees each received an additional \$5,000 annual retainer. The non-employee directors' remuneration is due and paid quarterly, unless the director elects to defer the payment under our Compensation Plan for Non-Employee Directors. Pursuant to this plan, non-employee directors may elect to receive all or a portion of their annual retainer and meeting fees:

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In cash;

In cash deferred for any number of years up to the completion of Board service, which amounts are invested in funds that track the returns credited to the funds in the Darden Savings Plan; if deferred into the fund that tracks the Darden stock fund, the deferred amount is credited with dividend equivalents and is paid out in shares of our common stock;

In common shares having a fair market value equal to the remuneration due; or

In a combination of the foregoing alternatives.

A total of 105,981 common shares are authorized for issuance under our Compensation Plan for Non-Employee Directors.

Each non-employee director receives a stock grant valued at \$100,000 upon election or re-election to the Board. The number of common shares received equals \$100,000 divided by the fair market value of our common stock on the date of grant. The shares vest immediately, but are restricted from transfer for a period of one

**MEETINGS OF THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD**

year. A director may elect to defer receipt of these shares until completion of Board service or beyond. A director also may elect to receive 25 percent or 50 percent of the \$100,000 stock grant in cash instead of stock.

Upon initial election to the Board, each non-employee director also receives a one-time grant of an option to purchase 12,500 shares of our common stock. The option becomes exercisable three years after grant. Upon re-election to the Board at each annual meeting of shareholders, each non-employee director is granted an option to purchase 3,000 shares of our common stock. These options become exercisable one year after grant. In addition, each director may choose to receive, in lieu of the cash compensation portion of director's fees, stock options determined to be of equal value to the foregone cash fees, which options are exercisable six months after grant. All of these stock options have an exercise price equal to the fair market value of our common shares on the date of grant and have a term of ten years.

All grants of shares and options to our non-employee directors (other than the payments described above made under our Compensation Plan for Non-Employee Directors) are made under our Director Stock Plan or 2002 Stock Incentive Plan. In total, 375,000 common shares are authorized for issuance under the Director Stock Plan, and 8,550,000 common shares are authorized for issuance under the 2002 Stock Incentive Plan, of which no more than five percent may be granted to non-employee directors.

We also pay the premiums on directors' and officers' liability and business travel accident insurance policies covering the directors.

**CORPORATE GOVERNANCE**

IS DARDEN COMMITTED TO GOOD CORPORATE GOVERNANCE?

Yes. Our core values include integrity and fairness, and we have a long history of aspiring to the highest standards of ethical conduct.

DO YOU HAVE A CODE OF ETHICS?

Yes. We have a comprehensive Code of Business Conduct and Ethics that applies to all employees. It covers many topics, including:

Conflicts of interest;

Corporate opportunities;

Confidentiality;

Fair dealing;

Protection of company assets; and

Compliance with laws, rules and regulations, including insider trading laws.

The Code of Business Conduct and Ethics also addresses the particular responsibilities of our directors and senior financial executives, and encourages the reporting of illegal or unethical behavior, by including:

A special code of ethics for our Chief Executive Officer, Chief Financial Officer, and other senior financial officers;

A code of ethics for the members of our Board of Directors;

An open door policy for complaints, with toll-free hotline numbers for all of our restaurant concepts;

A confidential, anonymous procedure for submission by employees of concerns regarding questionable accounting or auditing matters; and

A policy for compliance with the SEC attorney conduct rules.

## Edgar Filing: DARDEN RESTAURANTS INC - Form DEF 14A

The full text of our Code of Business Conduct and Ethics is publicly available on our website at [www.darden.com](http://www.darden.com). Our internal audit department requires all of our officers and certain other corporate administrative exempt employees to complete an annual questionnaire and certification regarding compliance with our Code of Business Conduct and Ethics.

### DO YOU PROMOTE ETHICAL BEHAVIOR AND ETHICS EDUCATION?

Yes. We proactively promote ethical behavior by all employees. Employees are encouraged to talk to supervisors or other personnel when in doubt about the best course of action in a particular situation. To encourage employees to report violations of laws or our Code of Business Conduct and Ethics, we ensure that employees know that we will not allow retaliation for reports made in good faith. We also are committed to ethical behavior in the communities we serve and our industry generally. In 2002, the Darden Restaurants, Inc. Foundation awarded \$1.22 million to the University of Florida's Warrington College of Business to create the Darden Restaurants Foundation Diversity and Business Ethics Endowment. It is the first comprehensive diversity and business ethics endowment in the hospitality industry.

### DO YOU HAVE CORPORATE GOVERNANCE GUIDELINES?

Yes. Our Board has adopted Corporate Governance Guidelines that are publicly available on our website. The Guidelines cover, among other topics:

Director responsibilities;

Director qualification standards;

Independence of directors;

Director access to management and, as necessary, independent advisors;

Director compensation;

Approval of Chief Executive Officer and management succession plans; and

An annual Board performance evaluation.

The Guidelines also include policies on certain specific subjects, including those that:

Require meetings of the independent directors in executive session without our Chief Executive Officer present at least four times annually;

Require a letter of resignation from directors upon a job change;





## CORPORATE GOVERNANCE

Limit the number of other boards that directors may serve on;

Provide a mandatory retirement age for directors; and

Provide term limits for directors.

The Guidelines also encourage director orientation and education, and four of our directors have attended director continuing education programs accredited by Independent Shareholder Services.

### WHAT BOARD PRACTICES SHOW GOOD GOVERNANCE?

Our Corporate Governance Guidelines require the Board to be composed of at least two-thirds outside, independent directors. Our non-employee directors have named a Lead Director, Odie C. Donald, to chair executive sessions. We have adopted Shareholder Communication Procedures that have been posted on our website. In accordance with New York Stock Exchange listing standards, we have Audit, Compensation and Nominating and Governance Committees composed entirely of independent directors. The charters of these committees are publicly available on our website. The Nominating and Governance Committee oversees governance issues and met five times during our last fiscal year. We do not have a classified board, or a system where directors' terms are staggered, but instead our full Board is elected annually. Our current Chief Executive Officer is not a party to any related party transactions, so there are no transactions with us in which he has an interest requiring disclosure under applicable SEC rules. All of our directors attended at least 75 percent of the Board and committee meetings in the past fiscal year, and are required by our Corporate Governance Guidelines to attend our Annual Meeting of Shareholders. We have never had any shareholder proposals, and therefore have never had a shareholder proposal adopted that was not acted upon by our Board.

### WHAT AUDIT COMMITTEE PRACTICES SHOW GOOD GOVERNANCE?

Our Audit Committee is composed entirely of outside, independent directors. Our Board has determined that one member of the Committee, Jack A. Smith, is an audit committee financial expert as required by SEC rules and that all members of the Committee are financially literate under the New York Stock Exchange listing standards. Our Corporate Governance Guidelines provide that no member of the Committee may serve on the audit committee of more than three public companies. The fees paid to our independent registered public accounting firm, KPMG LLP, for non-audit services during fiscal 2004 were significantly less than the fees paid for audit services, and all non-audit services performed by KPMG LLP were approved in advance by our Audit Committee. Our Audit Committee charter requires regular rotation of the lead partner of our independent registered public accounting firm, and each year our selection of an independent registered public accounting firm is submitted for shareholder ratification.

### WHAT COMPENSATION PRACTICES SHOW GOOD GOVERNANCE?

Our Compensation Committee is composed entirely of outside, independent directors. There are no interlocks among the members of our Compensation Committee, so no member of our Compensation Committee has any potential conflicts of interest requiring disclosure under applicable SEC rules. Our non-employee directors do not participate in our pension plan. Our directors receive a portion of their compensation in the form of equity, and all of our directors own our stock. Our executives are subject to stock ownership guidelines. We do not make loans to

executive officers. We have never repriced options, and repricing is specifically prohibited under our 2002 Stock Incentive Plan that was approved by our shareholders.

**SHARE OWNERSHIP**

## SECURITY OWNERSHIP OF MANAGEMENT

This table shows the beneficial ownership of our common shares, and information concerning restricted stock units and phantom stock units, as of the end of our fiscal year on May 30, 2004, by our directors, director nominees, executive officers named in the Summary Compensation Table on page 28, and all of our directors and executive officers as a group. Under applicable SEC rules, the definition of beneficial ownership for purposes of this table includes shares over which a person has sole or shared voting power, or sole or shared power to invest or dispose of the shares, whether or not a person has any economic interest in the shares, and also includes shares for which the person has the right to acquire beneficial ownership within 60 days of May 30, 2004. Except as otherwise indicated, a person has sole voting and investment power with respect to the common shares beneficially owned by that person.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership of		Common Shares Beneficially Owned as Percent of Common Shares Outstanding <sup>(3)</sup>
	Common Shares <sup>(1)</sup>	Restricted Stock Units and Phantom Stock Units <sup>(2)</sup>	
Leonard L. Berry	18,727		*
Odie C. Donald	51,680	28,850	*
David H. Hughes	15,815 <sup>(4)</sup>	8,713	*
Joe R. Lee	4,067,713	43,750	2.53%
Senator Connie Mack, III	40,424 <sup>(5)</sup>	693	*
Andrew H. Madsen	303,567		*
Clarence Otis, Jr.	404,782		*
Richard E. Rivera <sup>(6)</sup>	1,014,340	27,343	*
Michael D. Rose	114,179	29,733	*
Maria A. Sastre	40,607	3,041	*
Paula J. Shives	218,440		*
Jack A. Smith	55,579	20,925	*
Blaine Sweatt, III	1,422,419	13,311	*
Rita P. Wilson	39,390	6,090	*
All directors and executive officers as a group (20 persons)	9,569,936 <sup>(7)</sup>	187,449	5.79%

\* Less than one percent.

<sup>(1)</sup> Includes common shares subject to options exercisable within 60 days of May 30, 2004, as follows: Dr. Berry, 7,500 shares; Mr. Donald, 47,169 shares; Mr. Hughes, 3,000 shares; Mr. Lee, 3,002,720 shares; Senator Mack, 29,697 shares; Mr. Madsen, 250,011 shares; Mr. Otis, 296,187 shares; Mr. Rivera, 931,750 shares; Mr. Rose, 91,748 shares; Ms. Sastre, 31,551 shares; Ms. Shives, 163,520 shares; Mr. Smith, 16,500 shares; Mr. Sweatt, 1,067,293 shares; Ms. Wilson, 30,750 shares; and all directors and executive officers as a group, 7,390,048 shares.

Includes common shares held by the trustee of the Darden Savings Plan in the Darden stock fund for the accounts of our executive officers with respect to which the officers have sole voting power and sole investment power, as follows: all directors and executive officers as a group, 113 shares.

## SHARE OWNERSHIP

For further information about the voting and investment power of shares held in the Savings Plan, see Note 4 to the table under the heading Security Ownership of Principal Shareholders.

Includes common shares held by the trustee of our Employee Stock Ownership Plan for the accounts of our executive officers, with respect to which the officers have sole voting power and no investment power, as follows: Mr. Lee, 1,444 shares; Mr. Sweatt, 2,141 shares; and all directors and executive officers as a group, 11,999 shares.

Includes restricted stock awarded under our Management and Professional Incentive Plan ( MIP ) as of May 30, 2004, with respect to which the officers have sole voting power but no investment power, as follows: Mr. Lee, 61,745 shares; Mr. Madsen, 26,989 shares; Mr. Otis, 39,559 shares; Mr. Rivera, 69,621 shares; Ms. Shives, 25,270 shares; Mr. Sweatt, 29,467 shares; and all directors and executive officers as a group, 354,367 shares.

(2) Includes phantom stock units allocated to the Darden stock fund under our Compensation Plan for Non-Employee Directors for the accounts of the following non-employee directors, with respect to which the individuals have no voting or investment power, as follows: Mr. Donald, 10,560 units; Mr. Hughes, 4,172 units; Senator Mack, 693 units; Mr. Rose, 11,443 units; Mr. Smith, 20,925 units; and all directors and executive officers as a group, 47,793 units.

Includes phantom stock units allocated to the Darden stock fund under our non-qualified deferred compensation plan with respect to which the individuals have no voting or investment power, as follows: Mr. Rivera, 27,343 units; and all directors and executive officers as a group, 27,343 units.

Includes restricted stock units awarded under the Director Stock Plan, with respect to which the individuals have no voting or investment power, as follows: Mr. Donald, 18,290 units; Mr. Hughes, 4,541 units; Mr. Rose, 18,290 units; Ms. Sastre, 3,041 units; Ms. Wilson, 6,090 units; and all directors and executive officers as a group, 50,252 units.

Includes restricted stock units awarded under our MIP as of May 30, 2004, with respect to which officers have no voting or investment power, as follows: Mr. Lee, 43,750 units; Mr. Sweatt, 13,311 units; and all directors and executive officers as a group, 62,061 units.

(3) For any individual or group, the percentages are calculated by dividing (1) the number of shares beneficially owned by that individual or group, which includes shares underlying options exercisable within 60 days, by (2) the sum of (a) the number of shares outstanding on May 30, 2004 (158,016,466 shares), plus (b) the number of shares underlying options exercisable within 60 days held by just that individual or group. This calculation does not include phantom stock units or restricted stock units.

(4) Includes 7,500 shares held in a trust for David H. Hughes.

(5) Popularly known as Connie Mack, III, Senator Mack files Section 16 reports (Forms 3, 4 and 5) under his legal name of Cornelius McGillicuddy, III.

<sup>(6)</sup> Mr. Rivera is our former President and Chief Operating Officer. See Note 11 on page 30.

<sup>(7)</sup> Includes 38 shares held by one executive officer for a minor child.

**SHARE OWNERSHIP**

## SECURITY OWNERSHIP OF PRINCIPAL SHAREHOLDERS

Except as indicated in the footnotes below, this table shows all persons and entities that we know to beneficially own more than five percent of our outstanding common shares as of the end of our fiscal year on May 30, 2004. As indicated in the footnotes, we have based this information on reports filed by these persons or entities with us and with the SEC.

Name and Address of Beneficial Owner	Amount and Nature of	
	Beneficial Ownership <sup>(1)</sup>	Percent of Class <sup>(2)</sup>
Barclays Global Investors, N.A. 45 Fremont Street San Francisco, California 94105-2228 Darden Savings Plan	19,059,661 <sup>(3)</sup>	12.06%
c/o American Express Retirement Services 733 Marquette Avenue Minneapolis, Minnesota 55402	11,447,120 <sup>(4)</sup>	7.24%

<sup>(1)</sup> Beneficial ownership is defined under the Securities Exchange Act of 1934 to mean more than ownership in the usual sense. Under applicable rules, you beneficially own our common shares not only if you hold them directly, but also if you indirectly (such as through a relationship, a position as a director or trustee, or a contract or understanding) have or share the power to vote them, or sell them, or to acquire them within 60 days.

<sup>(2)</sup> The figure reported is a percentage of the total of 158,016,466 common shares outstanding on May 30, 2004, excluding treasury shares.

<sup>(3)</sup> Based on a Schedule 13G dated February 13, 2004, Barclay Global Investors, N.A. beneficially owned an aggregate of 19,059,661 shares either directly or through its affiliates or subsidiaries. Such entities had sole power to vote or direct the vote of 16,780,067 shares and sole power to dispose or direct the disposition of 16,791,467 shares.

<sup>(4)</sup> The common shares owned by the Darden Savings Plan are held in trust for the benefit of participants in the plan, for which American Express Retirement Services is trustee, subject to the direction of the plan's Administrative Committee. Participants are entitled to instruct the plan trustee how to vote all of our common shares allocated to their accounts (a total of 4,271,361 common shares as of May 30, 2004). All common shares allocated to participants for whom no voting instructions are received, and all unallocated common shares held by the plan (6,428,181 common shares as of May 30, 2004), will be voted by the trustee in the same proportion as it votes shares for which it did receive voting instructions.

**EXECUTIVE COMPENSATION**

## SUMMARY COMPENSATION TABLE

This table shows the cash compensation and certain other components of compensation for the last three fiscal years for our Chief Executive Officer and our five other most highly compensated executive officers for the fiscal year ended May 30, 2004.

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Award		
		Salary \$	Bonus \$	Other Annual Compensation (\$) <sup>(1)</sup>	Restricted Stock Awards (\$) <sup>(2)(3)(4)</sup>	Securities Underlying Options (#)	All Other Compensation (\$) <sup>(5)</sup>
Joe R. Lee							
Chairman of the Board and	2004	842,801	815,400		853,125	175,000	545,535
	2003	814,018	478,600	1,749		300,000	373,004
Chief Executive Officer	2002	775,240	1,085,900		545,534	367,500	692,959
Blaine Sweatt, III							
Executive Vice President	2004	463,759	(6)		259,565 <sup>(6)</sup>	80,000	141,445
and President, New Business	2003	434,133	(6)	1,114	(6)	100,000	134,829
Development	2002	413,461	(6)		(6)	165,000	164,669
Clarence Otis, Jr. <sup>(7)</sup>							
Executive Vice President	2004	417,816					
	2003	400,000					
and President, Smokey Bones	2002	335,112	192,50				