Bloomin' Brands, Inc.
Form 10-K
March 03, 2014

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

FORM 10-K
(Mark One)

[X]	Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended: December 31, 2013 Or
[ ]	Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from ______ to ______

Commission File Number: 001-35625

BLOOMIN' BRANDS, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	20-8023465 (I.R.S. Employer Identification No.)

2202 North West Shore Boulevard, Suite 500, Tampa, Florida 33607
(Address of principal executive offices) (Zip Code)

(813) 282-1225
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
YES ý NO o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES o NO ý

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
YES ý NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý Accelerated filer o
Non-accelerated filer o (Do not check if smaller reporting company) Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES o NO ý

The aggregate market value of common stock held by non-affiliates (based on the closing price on the last business day of the registrant’s most recently completed second fiscal quarter as reported on the Nasdaq Global Select Market) was approximately $1.2 billion. All executive officers and directors of the registrant and all persons filing a Schedule 13G with the Securities and Exchange Commission in respect to registrant’s common stock have been deemed, solely for the purpose of the foregoing calculation, to be “affiliates” of the registrant.

As of February 25, 2014, 124,921,652 shares of common stock of the registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the registrant’s definitive Proxy Statement for its Annual Meeting of Stockholders on April 29, 2014, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after December 31, 2013, are incorporated by reference into Part III, Items 10-14 of this Annual Report on Form 10-K.

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For the Year Ended December 31, 2013

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PART I

Cautionary Statement

This Annual Report on Form 10-K (the "Report") includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "feels," "seeks," "forecasts," "projects," "intends," "plans," "may," "will," "should," "could" or "wou their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and industry developments may differ materially from statements made in or suggested by the forward-looking statements contained in this Report. In addition, even if our results of operations, financial condition and liquidity, and industry developments are consistent with the forward-looking statements contained in this Report, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause actual results to differ materially from statements made or suggested by forward-looking statements include, but are not limited to, those described in the "Risk Factors" section of this filing and the following:

(i) The restaurant industry is a highly competitive industry with many well-established competitors;

(ii) Challenging economic conditions may affect our liquidity by adversely impacting numerous items that include, but are not limited to: consumer confidence and discretionary spending; the availability of credit presently arranged from our revolving credit facilities; the future cost and availability of credit; interest rates; foreign currency exchange rates; and the liquidity or operations of our third-party vendors and other service providers;

(iii) Our ability to expand is dependent upon various factors such as the availability of attractive sites for new restaurants; our ability to obtain appropriate real estate sites at acceptable prices; our ability to obtain all required governmental permits including zoning approvals and liquor licenses on a timely basis; the impact of government moratoriums or approval processes, which could result in significant delays; our ability to obtain all necessary contractors and subcontractors; union activities such as picketing and hand billing that could delay construction; our ability to generate or borrow funds; our ability to negotiate suitable lease terms; our ability to recruit and train skilled management and restaurant employees; and our ability to receive the premises from the landlord's developer without any delays;

(iv) Our results can be impacted by changes in consumer tastes and the level of consumer acceptance of our restaurant concepts (including consumer tolerance of our prices); local, regional, national and international economic and political conditions; the seasonality of our business; demographic trends; patterns of customer traffic and our ability to effectively respond in a timely manner to changes in patterns of customer traffic; changes in consumer dietary habits; product mix; employee availability; the cost of advertising and media; the timing of restaurant operating expenses; government actions and policies; inflation or deflation; unemployment rates; interest rates;

foreign exchange rates; and increases in various costs, including construction, real estate and health insurance costs;

(v) Weather, natural disasters and other disasters could result in construction delays or slower customer traffic and could adversely affect the results of one or more restaurants for an indeterminate amount of time;

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(vi) Our results can be negatively impacted by the effects of acts of war; periods of widespread civil unrest; actual or threatened armed conflicts or terrorist attacks, efforts to combat terrorism, or other military action affecting countries in which we do business and by the effects of heightened security requirements on local, regional, national, or international economies or consumer confidence;

(vii) Our results can be impacted by tax and other legislation and regulation in the jurisdictions in which we operate and by accounting standards or pronouncements;

(viii) Our results can be impacted by anticipated or unanticipated changes in our tax rates, exposure to additional income tax liabilities and a change in our ability to realize deferred tax benefits;

(ix) Minimum wage increases and mandated employee benefits could cause a significant increase in our labor costs;

(x) Commodities, including but not limited to, beef, chicken, shrimp, pork, seafood, dairy, produce, potatoes, onions and energy supplies, are subject to fluctuation in price and availability, and prices could increase or decrease more than we expect;

(xi) Our results can be impacted by consumer reaction to public health issues and perception of food safety;

(xii) We could face liabilities if we are unable to protect our information technology systems or experience an interruption or breach of security that could prevent us from effectively operating our business, protecting customer credit and debit card data or personal employee information; and

(xiii) Our substantial leverage and significant restrictive covenants in our various credit facilities could adversely affect our ability to raise additional capital to fund our operations, limit our ability to make capital expenditures to invest in new or renovate restaurants, limit our ability to react to changes in the economy or our industry, and expose us to interest rate risk in connection with our variable-rate debt.

In light of these risks and uncertainties, we caution you not to place undue reliance on these forward-looking statements. Any forward-looking statement that we make in this Report speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statement or to publicly announce the results of any revision to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

Note: Numerical figures included in this Report have been subject to rounding adjustments.

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Item 1. Business

GENERAL

Bloomin' Brands, Inc. ("Bloomin' Brands," the "Company," "we," "us," "our," and other similar terms mean Bloomin' Brands, Inc. and its subsidiaries, except where the context indicates otherwise) is one of the largest casual dining restaurant companies in the world, with a portfolio of leading, differentiated restaurant concepts. As of December 31, 2013, we owned and operated 1,344 restaurants and franchised 164 restaurants across 48 states, Puerto Rico, Guam and 21 countries. We have five founder-inspired concepts: Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill, Fleming's Prime Steakhouse and Wine Bar and Roy's. Each of our concepts maintains its unique, founder-inspired brand identity and entrepreneurial culture to provide a compelling customer experience combining great food, highly-attentive service and lively ambience at attractive prices. Our restaurants attract customers across a variety of occasions, including everyday dining, celebrations and business entertainment.

Our strategic plan and operating model keep the customer at the center of our decision-making and focus on continuous innovation and productivity to drive sustainable sales and profit growth while preserving our entrepreneurial culture at the operating level. Our restaurant managing partners are a key element of this culture, each of whom shares in the cash flows of his or her restaurant after making a required initial cash investment.

OUR HISTORY

Our predecessor, OSI Restaurant Partners, Inc., was incorporated in August 1987, and we opened our first Outback Steakhouse restaurant in 1988. We became a Delaware corporation in 1991 as part of a corporate reorganization completed in connection with our predecessor's initial public offering. Between 1993 and 2002, we acquired or developed our other restaurant concepts, and in 1996, we began expanding the Outback Steakhouse concept internationally.

Bloomin' Brands was incorporated in Delaware in October 2006 by an investor group comprising funds advised by Bain Capital Partners, LLC ("Bain Capital") and Catterton Management Company, LLC ("Catterton"), collectively, our "Sponsors," and Chris T. Sullivan, Robert D. Basham and J. Timothy Gannon, collectively, our "Founders," and members of our management. On June 14, 2007, we acquired OSI Restaurant Partners, Inc. by means of a merger and related transactions, referred to in this Report as the "Merger." At the time of the Merger, OSI Restaurant Partners, Inc. was converted into a Delaware limited liability company named OSI Restaurant Partners, LLC ("OSI"). In connection with the Merger, we implemented a new ownership and financing arrangement for our owned restaurant properties, pursuant to which Private Restaurant Properties, LLC ("PRP"), our indirect wholly-owned subsidiary, acquired 343 restaurant properties then owned by OSI and leased them back to subsidiaries of OSI. In March 2012, we refinanced the commercial mortgage-backed securities loan (the "CMBS Loan") that we entered into in 2007 in connection with the Merger with a new commercial mortgage-backed securities loan. Following the refinancing, OSI remains our primary operating entity and New Private Restaurant Properties, LLC, another indirect wholly-owned subsidiary of ours, continues to lease 261 of our owned restaurant properties to OSI subsidiaries. In August 2012, we completed an initial public offering (the "IPO") of our common stock. An investor group comprising funds advised by our Sponsors and one of our Founders continues to beneficially own a controlling interest in our common stock.

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OUR RESTAURANT CONCEPTS

As of December 31, 2013, the 1,508 full-service restaurants in our restaurant system consisted of the following, identified by concept and ownership structure:

	Outback Steakhouse (domestic)	Outback Steakhouse (international)[1]	Carrabba's Italian Grill	Bonefish Grill	Fleming's Prime Steakhouse and Wine Bar	Roy's	Total
Company-owned	663	169	239	187	65	21	1,344
Franchise	105	51	1	7	—	—	164
Total	768	220	240	194	65	21	1,508

(1) The restaurant count for Brazil is reported as of November 30, 2013 to correspond with the balance sheet date of this subsidiary and, therefore, excludes two restaurants that opened in December 2013. See "Outback Steakhouse - International" below for additional information.

Our core concepts are Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill and Fleming's Prime Steakhouse and Wine Bar. We are evaluating a plan to exit our Roy's concept, but have not established a timeframe or committed to a specific plan to do so.

Our restaurant concepts range in price point and degree of formality from casual (Outback Steakhouse and Carrabba's Italian Grill) to polished casual (Bonefish Grill) and fine dining (Fleming's Prime Steakhouse and Wine Bar and Roy's). Polished casual seeks to deliver the design elements, food quality and knowledgeable service suggestive of fine dining restaurants, except that the atmosphere is more relaxed and the prices are lower than fine dining. We source ingredients from around the world, which we believe allows us to achieve a high degree of freshness and quality and maintain the authenticity of our recipes, while keeping costs in line with the target pricing for our concepts.

Outback Steakhouse - Domestic

Outback Steakhouse is a casual dining steakhouse featuring high quality, freshly prepared food, attentive service and Australian décor. As of December 31, 2013, we owned and operated 663 restaurants and 105 restaurants were franchised across 48 states and Puerto Rico.

The Outback Steakhouse menu offers several cuts of uniquely seasoned and seared or wood-fire grilled steaks, chops, chicken, seafood, pasta, salads and seasonal specials. We use fresh and authentic ingredients, such as USDA Choice steaks and imported Danish blue cheese, and make items such as our sauces, soups, salad dressings, and chocolate sauce from scratch. The menu also includes several specialty appetizers, including our signature "Bloomin' Onion®," and desserts, together with full bar service featuring Australian wine and beer. Alcoholic beverages account for approximately 11% of domestic Outback Steakhouse's restaurant sales. The average check per person, which varies for all of our concepts based on limited-time offers, special menu items and promotions, was approximately $20 during 2013.

The décor includes a contemporary, casual atmosphere with blond woods, large booths and tables and Australian artwork. Outback Steakhouse restaurants serve dinner every day of the week and most locations are open for lunch on Saturday and Sunday. Many locations are also open for lunch Monday through Friday.

Carrabba's Italian Grill

Carrabba's Italian Grill is an authentic Italian casual dining restaurant featuring high quality handcrafted dishes, an exhibition kitchen and a welcoming atmosphere. As of December 31, 2013, we owned and operated 239 restaurants and franchised one restaurant across 32 states.

The Carrabba's Italian Grill menu includes a variety of Italian pasta, chicken and seafood dishes and wood-fired pizza. Our use of a wood-fired grill, combined with our signature grill seasoning, produces Italian dishes with flavors we believe are unique to the category. Our ingredients are sourced from around the world, such as our Prince Edward Island mussels, our extra virgin olive oil imported from Spain, and our pasta imported from a small town outside Pompeii, to meet our quality specifications. We grate our fresh romano cheese daily and prepare items such as soups, sauces, lasagna, mozzarella sticks, salad dressings and desserts from scratch. The menu also includes specialty appetizers, desserts and coffees, together with full bar service featuring Italian wines and specialty drinks. Alcoholic beverages account for approximately 16% of Carrabba's Italian Grill's restaurant sales. The average check per person was approximately $21 during 2013.

The décor includes dark woods, large booths and tables and Italian memorabilia featuring Carrabba family photos and authentic Italian pottery. Our traditional Italian exhibition kitchen allows customers to watch hand-made dishes being prepared. Carrabba's Italian Grill restaurants serve dinner every day of the week and the majority are open for lunch on Saturday and Sunday. Many locations are also open for lunch Monday through Friday.

Bonefish Grill

Bonefish Grill is a polished casual seafood restaurant featuring market fresh grilled fish, high-end yet approachable service and a lively bar. Servers wear chef coats to underscore their knowledge and professionalism, and guide customers through a comfortable rather than stuffy dining experience. As of December 31, 2013, we owned and operated 187 and franchised seven restaurants across 34 states.

The Bonefish Grill menu is anchored by fresh fish, hand-cut and topped with freshly prepared sauces, and seasonal seafood specials. These selections are based on the types of seafood available to the restaurant seasonally to ensure a fresh and flavorful meal. In addition, Bonefish Grill offers beef, pork and chicken entrees, several specialty appetizers, including our signature "Bang Bang Shrimp®," and desserts. Bonefish Grill's bar provides an energetic setting for drinks, dining and socializing, with large tables, music from emerging artists and a bar menu featuring a large variety of hand crafted cocktails, a specialty martini list, wine and regional beer selections. Alcoholic beverages account for approximately 24% of Bonefish Grill's restaurant sales. The average check per person was approximately $23 in 2013.

The décor is warm and inviting, with hardwood floors, large booths and tables and distinctive artwork inspired by regional coastal settings. Bonefish Grill restaurants serve dinner every day of the week and brunch on Sunday.

Fleming's Prime Steakhouse and Wine Bar

Fleming's Prime Steakhouse and Wine Bar is an upscale, contemporary prime steakhouse for food and wine lovers seeking a stylish, lively and indulgent dining experience. As of December 31, 2013, we owned and operated 65 Fleming's Prime Steakhouse and Wine Bar restaurants across 28 states.

The Fleming's Prime Steakhouse and Wine Bar menu features prime cuts of beef, fresh seafood, pork and chicken entrees accompanied by an extensive assortment of freshly prepared salads and side dishes available a la carte, plus several specialty appetizers and desserts. The steak selection features USDA Prime corn-fed beef, both wet- and dry-aged for flavor and texture, in a selection of sizes and cuts, either broiled at 1,600 degrees to seal in the beef's natural juices and flavors or iron crusted. Among national high-end steak concepts, Fleming's Prime Steakhouse and Wine Bar offers the largest selection of wines by the glass, with 100 quality wines available, as well as specialty cocktails. Alcoholic beverages account for approximately 29% of Fleming's Prime Steakhouse and Wine Bar's restaurant sales. The average check per person was approximately $69 in 2013.

The décor features an open dining room built around an exhibition kitchen and expansive bar, with lighter woods and colors with rich cherry wood accents and high ceilings. Private dining rooms are available for private gatherings or corporate functions. Fleming’s Prime Steakhouse and Wine Bar restaurants typically serve dinner only.

Roy's

Roy's provides an upscale dining experience featuring Pacific Rim cuisine. As of December 31, 2013, we owned and operated 21 Roy's restaurants located across seven states. We did not have an economic interest in nine Roy's as of December 31, 2013, including six in Hawaii and one each in the continental United States, Japan and Guam.

The Roy's menu features Pacific Rim cuisine, a style pioneered by Chef Roy Yamaguchi, that is a fusion of bold Asian spices, European sauces and local ingredients, with a focus on fresh fish and seafood, steaks, short ribs, pork and chicken. The menu also includes several specialty appetizers and desserts. In addition to full bar service, Roy's offers a large selection of highly rated wines. Alcoholic beverages account for approximately 28% of Roy's restaurant sales. The average check per person was approximately $57 during 2013.

The décor features large dining rooms, a lounge area, an outdoor dining patio in certain locations and Roy's signature exhibition kitchen. Private dining rooms are available for private gatherings or corporate functions. The majority of Roy's restaurants serve dinner only.

Outback Steakhouse - International

Outback Steakhouse International is our business unit for developing and operating Outback Steakhouse restaurants outside of the U.S. We have an international organizational structure consisting of talent recruited internally and externally from market-leading companies with the experience we believe is needed to drive international growth. This team is integrated into our corporate headquarters to leverage enterprise-wide capabilities, including marketing, finance, consumer research and analytics, real estate development, information technology, legal, supply chain management and productivity in order to support both Company-owned and franchised locations. In addition, we have cross-functional, local management staff in place in each of the countries where we have Company-owned operations to support and grow restaurants in those locations.

Our Outback Steakhouse International locations in Brazil were operated as an unconsolidated joint venture, of which we owned a 50% interest until November 1, 2013 when we acquired a controlling interest in the joint venture. To ensure timely reporting, we have elected to consolidate the results of our Brazilian operations on a one-month lag effective as of the acquisition date. Accordingly, our operating results for 2013 include the operating results of the Brazilian operations for only a one-month post-acquisition period ended November 30, 2013. Prior to the acquisition, we accounted for the unconsolidated joint venture under the equity method of accounting. Income and loss derived from the unconsolidated joint venture for periods prior to the acquisition are presented in Income from operations of unconsolidated affiliates in our Consolidated Statements of Operations and Comprehensive Income.

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Our other concepts currently do not operate outside of the U.S. As of December 31, 2013, we owned and operated 169 international Outback Steakhouse restaurants and 51 were franchised across 21 countries and Guam as follows:

Country/Territory	Ownership Type	Total
South Korea	Company-owned	110
Brazil (1)	Company-owned	48
Hong Kong	Company-owned	8
China (Mainland)	Company-owned	2
Mexico	Company-owned	1
Japan	Franchise	10
Australia	Franchise	7
Mexico	Franchise	5
Taiwan	Franchise	5
Saudi Arabia	Franchise	4
Canada	Franchise	3
Indonesia	Franchise	3
Philippines	Franchise	3
Dominican Republic	Franchise	2
Bahamas	Franchise	1
Costa Rica	Franchise	1
Egypt	Franchise	1
Guam	Franchise	1
Malaysia	Franchise	1
Qatar	Franchise	1
Singapore	Franchise	1
Thailand	Franchise	1
United Arab Emirates	Franchise	1
Total		220

(1) The restaurant count for Brazil is reported as of November 30, 2013 to correspond with the balance sheet date of this subsidiary and, therefore, excludes two restaurants that opened in December 2013.

Financial information about geographic areas is included in this Form 10-K in Item 8, Note 2 of our Notes to consolidated financial statements. Risks associated with our international operations are discussed in this Form 10-K in Item 1A.

We utilize a global core menu policy to ensure consistency and quality in our menu offerings. We allow local tailoring of the menu to address the preference of local customers in a market. Before we add an item to the core menu, we conduct customer research, and the item is reviewed and approved by our research and development ("R&D") team. In South Korea, for example, we serve "lunch box sets," offering affordable options to busy customers seeking a quick lunch at Outback Steakhouse. Similarly, in China, we offer "set pricing" options that provide customers a known price point for a complete dining experience.

Our international Outback Steakhouse locations are similar in the look and feel of our domestic locations, although there is more diversity in certain restaurant locations, layouts and sizes. The prices that we charge in individual locations are reflective of local demographics and related local costs involved in procuring product. Most of our international locations serve lunch and dinner.

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RESTAURANT DESIGN AND DEVELOPMENT

Site Design

We generally construct freestanding buildings on leased properties, although our leased sites are also located in strip shopping centers. Construction of a new restaurant takes approximately 90 to 180 days from the date the location is leased or under contract and fully permitted. In the future, we intend to either convert existing third-party leased retail space or construct new restaurants through leases in the majority of circumstances. We typically design the interior of our restaurants in-house, utilizing outside architects when necessary.

A typical Outback Steakhouse is approximately 6,200 square feet and features a dining room and a full-service liquor bar. The dining area of a typical Outback Steakhouse consists of 45 to 48 tables and seats approximately 220 people. The bar area has approximately ten tables and seating capacity for approximately 54 people. Appetizers and complete dinners are served in the bar area.

Outback Steakhouse international restaurants range in size from 3,500 to 10,000 square feet and may be basement, ground level or upper floor locations.

A typical Carrabba’s Italian Grill is approximately 6,500 square feet and features a dining room, pasta bar seating that overlooks the exhibition kitchen and a full-service liquor bar. The dining area of a typical Carrabba’s Italian Grill consists of 40 to 45 tables and seats approximately 230 people. The liquor bar area typically includes six tables and seating capacity for approximately 60 people, and the pasta bar has seating capacity for approximately ten people. Appetizers and complete dinners are served in both the pasta bar and liquor bar areas.

A typical Bonefish Grill is approximately 5,500 square feet and features a dining room and full-service liquor bar. The dining area of a typical Bonefish Grill consists of approximately 38 tables and seats approximately 145 people. The bar area is generally in the front of the restaurant and offers community-style seating with approximately ten tables and bar seating with a capacity for approximately 72 people. Appetizers and complete dinners are served in the bar area.

A typical Fleming’s Prime Steakhouse and Wine Bar is approximately 7,100 square feet and features a dining room, a private dining area, an exhibition kitchen and full-service liquor bar. The main dining area of a typical Fleming’s Prime Steakhouse and Wine Bar consists of approximately 35 tables and seats approximately 170 people, while the private dining area seats approximately 30 additional people. The bar area has approximately six tables and bar seating with a capacity for approximately 35 people. Appetizers and complete dinners are served in the bar area.

A typical Roy’s is approximately 7,100 square feet and features a dining room, a private dining area, an exhibition kitchen and full-service liquor bar. The main dining area of a typical Roy’s consists of approximately 41 tables and seats approximately 155 people, while the private dining area seats an additional 50 people. The bar area has tables and bar seating with a capacity for approximately 35 people. Appetizers and complete dinners are served in the bar area.

Remodel, Renovation and Relocation Plans

We have an ongoing renovation program across all of our concepts to maintain the relevance of our restaurants’ ambience.

Our remodeling program at Outback Steakhouse, which began in 2009, refreshes our restaurants and modernizes the look and feel of the dining experience. The Outback Steakhouse layout now features larger, more comfortable waiting areas, a brighter more upscale bar and a natural, contemporary dining area. Additionally, in 2014, we will begin expanding our remodeling program to contemporize and update the exterior façade of our Outback Steakhouse restaurants. We have remodeled 490 restaurants since the beginning of the remodeling program through December 31, 2013, including 84 in 2013. Going forward, we expect to remodel approximately 10% of our locations annually. Our average remodel cost per restaurant was approximately $245,000 in 2013.

Carrabba’s Italian Grill has a similar renovation program to refresh the interior and exterior of our restaurants, which includes the creation of a more contemporary Italian-themed décor that maintains its welcoming atmosphere and matches the high quality of our food. We remodeled 41 locations in 2013 and expect to remodel between 30 and 40 locations in 2014. Our average remodel cost per restaurant was approximately $385,000 in 2013.

In addition, in April 2013, we accelerated our restaurant relocation plan primarily related to the Outback Steakhouse brand. This multi-year relocation plan is focused on driving additional traffic to our restaurants by moving legacy restaurants from non-prime to prime locations within the same trade area.

Site Selection Process

We consider the location of a restaurant to be critical to its long-term success and as such, we devote significant effort to the investigation and evaluation of potential sites. We have a central team serving all of our concepts comprising real estate development, property/lease management and design and construction personnel. Our site selection team utilizes a combination of existing field operations managers, internal development personnel and outside real estate brokers to identify and qualify potential sites. We have developed a robust analytical infrastructure, aided by site selection software customized to assist our site selection team in implementing our restaurant growth plan. We are improving site selection by employing expanded data regarding potential sites, developing success criteria and using predictive models.

We follow a phased approach to new site selection and approval, with all proposed sites reviewed and approved by the appropriate concept president, Chief Development Officer, Chief Resources Officer, Chief Financial and Administrative Officer and Chief Executive Officer.

Restaurant Development

We remain committed to new unit development after curtailing expansion from 2009 to 2011. We believe that a substantial development opportunity remains for our concepts in the U.S. and internationally. During 2013, we opened 46 new system-wide locations: 20 Bonefish Grill restaurants, five Carrabba’s Italian Grill restaurants, two domestic Outback Steakhouse restaurants and 19 international Outback Steakhouse restaurants comprising 14 Company-owned and five franchised locations. We expect to open between 55 and 60 system-wide locations in 2014. We expect that approximately 50% of our new units in 2014 will be domestic opportunities, but will shift to a higher weight of international units as we continue to implement our international expansion plans.

We recently completed an assessment of our restaurant base in advance of capital and development planning for the 2014 fiscal year. As a result of this assessment, we decided to close 22 underperforming locations primarily within the Outback Steakhouse concept. We expect to substantially complete these store closings by the end of the first quarter of 2014.

Domestic Development

We believe we are well-equipped to continue to accelerate new unit development with a disciplined approach focusing on achieving unit returns at target levels across each of our concepts. In 2014, we plan to open approximately 30 domestic locations. Bonefish Grill unit growth will continue to be our top domestic development priority in 2014, with 15 or more new restaurants planned utilizing a new restaurant design format. We believe we have the potential to increase the units in our Bonefish Grill concept to over 300 in the next four to six years. Currently, the majority of Bonefish Grill restaurants are located in the southern and eastern U.S., with significant geographic expansion potential in the top 100 U.S. markets. We also see an opportunity to expand Carrabba's Italian Grill from an existing base of 240 units as of December 31, 2013. Currently, the majority of Carrabba's Italian Grill restaurants are also located in the southern and eastern U.S., with significant geographic expansion potential in the top 100 U.S. markets. We began implementing an updated Carrabba's Italian Grill restaurant design for new units in 2013. In 2014, we plan to accelerate new unit development. In addition, we believe that Fleming's Prime Steakhouse and Wine Bar has existing geography fill-in and market expansion opportunities based on its current location mix.

International Development

We believe we are well-positioned to continue to expand internationally and plan to approach such growth in a disciplined, prioritized manner, leveraging established markets in South Korea, Brazil and Hong Kong, while expanding in strategically selected new emerging and high growth developed markets, focusing on China and Mexico. The system-wide sales of our international Outback Steakhouse restaurants represented approximately 14% of our total system-wide sales in 2013. We believe the international business represents a significant growth opportunity. We will continue to leverage our market position by offering our top-ranked Outback Steakhouse concept in a format adapted to local cultural preferences. For example, we believe that we can leverage existing infrastructure and expertise in the Asia-Pacific and Latin American regions to grow in those areas and accelerate entry into nearby countries.

Our Company-owned operations in South Korea and Hong Kong, where we have 118 restaurants, provide operational expertise in running multi-unit operations, but also cultural insights and available talent to deploy into new Asian markets. In addition, our Outback Steakhouse International leadership team has significant experience opening retail outlets in China. In December 2012, we opened our first Outback Steakhouse restaurant in mainland China and currently operate two locations in this country.

Effective November 1, 2013, we acquired a controlling interest in our former joint venture partner in Brazil. As of the date of the acquisition, our Company-owned locations include 47 restauants in Brazil that were previously operated as an unconsolidated joint venture. The addition of these restaurants to our Company-owned operations builds our local base of operational expertise, cultural insights and in-region talent for expansion and development into other South American countries. We see significant potential for growth in Brazil to approximately 100 restaurants. New restaurant growth in Brazil will be our top international development priority in 2014.

We will utilize the ownership structure and market entry strategy that best fits the needs for a particular market, including Company-owned units, joint ventures and franchises. In markets where there is potential for a significant number of restaurants, we expect to focus on Company-owned units and joint ventures rather than franchises.

RESEARCH & DEVELOPMENT / INNOVATION

Our R&D function blends strong culinary creativity with operational expertise to ensure effective innovation and execution. We believe we have strengthened our innovation capability by establishing a focused, collaborative process and by enhancing our R&D capabilities, and we have expanded the scope of innovation to focus on new product development, product efficiency and core menu quality. As a result, we believe we continuously evolve our product offerings based on consumer trends and feedback and improve productivity. We have a 12-month pipeline of new menu and promotional items, and we are able to quickly introduce new items. In addition, we have dedicated resources focused on productivity across the portfolio.

Our cross-functional innovation processes leverage practices of the consumer products industry to continuously research and enhance every dimension of the customer experience. Our innovation teams collaborate across R&D, supply chain, operations, marketing, finance and consumer insights. Our goal is continuous innovation of our new menu, service and marketing initiatives to improve brand relevance, productivity and competitiveness based on evolving consumer trends and direct customer feedback on our products. For example, as the direct result of market and consumer research, we have delivered new menu innovation through multiple limited-time offers and new optimized menus for each of our brands, including many items under 600 calories, which have broadened the appeal of our menus. By incorporating analytics, customer testing and in-store customer and operator feedback, we have refined and reduced the potential risks associated with menu introductions or changes. For new menu items and significant product changes, we have a meaningful testing process that includes internal testing, testing at one restaurant and testing at a group of restaurants before the roll-out is staged system-wide. Throughout this process, our customers provide direct feedback on the product as well as pricing.

We also utilize our cross-functional processes to develop limited-time offers with compelling price points and attractive margins. This requires more occasion-based testing and research to validate that the special offer was valued by customers based on the occasion. For example, Outback Steakhouse offered a four-course meal promotion (the Outback 4) in 2012 and 2013, which included a soup, salad, entree and dessert for $15.00 and Carrabba's Italian Grill featured a new promotion in 2013 (Pasta Seconds) that offered our customers the option of a second bowl of pasta to share at the table, both of which were very popular with our customers, and met our profitability and food quality objectives.

STRATEGY AND MARKET INTELLIGENCE

Our strategy and market intelligence ("SMI") function identifies consumer and marketplace opportunities for profitable growth, and helps improve returns on the investments we make in capital and operations, through the targeted application of analytics. Our rapid "test and learn" platform enables us to assess the traffic and profit impact of key consumer and market facing initiatives, before they are fully launched in our system. Pricing actions are guided by the targeted application of price elasticity models. Our investments in new trade areas and real estate sites are guided by the targeted application of development analytics.

Our consumer insight techniques provide an in-depth perspective into consumer behavior. We employ a variety of qualitative and quantitative approaches designed to capture deeper consumer insights based on both rational and emotional responses. Application of these consumer insight techniques have been instrumental in the development of new menus, new menu items, interior and exterior restaurant design and consumer communication, and also for our understanding of brand positioning and segment health.

As the casual dining landscape evolves with the consumer, our SMI function helps our business to evolve in a parallel manner based on tested best practices in areas ranging from menu, restaurant format, pricing, location dynamics and food preferences.

INFORMATION SYSTEMS

We have significant resources that focus on building our competencies in human resources, information technology and real estate, design and construction, including the completion of standardized Point of Sale ("POS") systems across our core concepts, the implementation of a Human Resources Information System ("HRIS"), uniform and comprehensive training programs, expanded data warehousing capability, and increased resources and tools to accelerate renovations and new unit site selection.

We have a multi-year information technology strategy to further transform information technology into a growth enabling function by focusing on building infrastructure, increasing technical staff, creating a technology platform to support sales growth and enabling productivity improvements.

Restaurant level financial and accounting controls are handled through the POS system and network in each restaurant that communicates with our corporate headquarters. The POS system is also used to authorize and transmit credit card sales transactions and to manage the business and control costs, such as labor. Our Company-owned restaurants are connected through data centers and a portal to provide our corporate employees and regional partners with access to business information and tools that allow them to collaborate, communicate, train and share information between restaurants and the corporate office. During 2012, we upgraded our wireless access points in all of our restaurants.

This provided enhanced capability to pilot and roll out new mobile technology devices within our restaurants. During 2013, we continued to enhance our corporate office and restaurant information system infrastructure and began a financial system implementation of SAP, which went live in January 2014, as the groundwork for continued improvements to our operational capability.

ADVERTISING AND MARKETING

Our marketing strategy is designed to drive comparable restaurant sales growth by increasing the frequency of visits and adding occasions for visits by our current customers, as well as attracting new customers through compelling offers driven by menu innovation, attractive ambience and highly-rated service at affordable prices.

Outback Steakhouse and Carrabba's Italian Grill advertise through national and spot television and/or radio media and Bonefish Grill advertises through radio media only. We purchase television advertising in selective markets where we have a sufficient number of restaurants to make the media purchase efficient (generally three to 10 restaurants in a market, depending on the media cost in that market). Our concepts have an active public relations program and also rely on national promotions, site visibility, local marketing, digital marketing, direct mail and billboards to promote our restaurants. In addition, we utilize point-of-sale materials to communicate and promote key brand initiatives to our customers while they are dining in our restaurants. We have increased our use of digital marketing tools, including advertising and personal engagement, which enables us to reach a significant number of people in a timely and targeted fashion at a fraction of the cost of traditional media.

To help maintain customer interest and relevance, each concept leverages limited-time offers featuring seasonal specials, ingredients and flavors that are consistent with the concept's positioning, while providing something new to discover on the menu. Outback Steakhouse, Carrabba's Italian Grill and Bonefish Grill generally offer five to seven promotion periods each year, each designed to increase traffic by encouraging a prompt visit to the restaurant to enjoy a featured item. For example, for the past few years, Outback Steakhouse has leveraged a "Back By Popular Demand" steak and lobster entree for $14.99. This offer reinforces the high quality food at affordable prices available at Outback Steakhouse. We promote limited-time offers through integrated marketing programs that utilize all of our advertising resources.

New restaurant openings provide another opportunity to utilize a comprehensive marketing campaign. To create awareness for a new location, we reach out to local television and radio stations to secure appearances where we engage with customers through events ranging from menu sampling to cooking demonstrations, covering topics such as how to properly purchase seafood and how to cook a steak. We also establish relationships with local charities through pre-opening fundraising events. The managing partner in each restaurant is the visible face of his or her restaurant, and through local involvement, such as contributing goods, time and money to charitable, civic and cultural programs, reinforces our role as an active member of the community.

RESTAURANT OPERATIONS

We believe the success of our restaurants depends on our service-oriented employees and consistent execution of our menu items in a well-managed restaurant.

Management and Employees

The management staff of a typical Outback Steakhouse, Carrabba's Italian Grill or Bonefish Grill consists of one managing partner, one assistant manager and one kitchen manager. The management staff of a typical Fleming's Prime Steakhouse and Wine Bar or Roy's consists of one managing partner, a chef partner and two assistant managers. Each restaurant also employs approximately 50 to 95 hourly employees, many of whom work part-time. The managing partner of each restaurant has primary responsibility for the day-to-day operation of his or her restaurant and is required to abide by Company-established operating standards. Area operating partners are responsible for overseeing the operations of typically six to 14 restaurants and managing partners in a specific region.

Area Operating, Managing and Chef Partner Programs

We have established a compensation structure for our area operating, managing and chef partners that we believe encourages high quality restaurant operations, fosters long-term employee commitment and generally results in profitable restaurants.

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The managing partner of each Company-owned domestic restaurant and the chef partner of each Fleming’s Prime Steakhouse and Wine Bar and Roy’s restaurant are required, as a condition of employment, to sign five-year employment agreements. Under these agreements, managing and chef partners have the right to receive monthly distributions based on a percentage of their restaurant’s monthly cash flows for the duration of the agreement, which vary by concept from 6% to 10% for managing partners and 2% to 5% for chef partners.

The employment agreements also provide for an annual bonus, known as the President’s Club, which is paid in addition to the monthly distributions of cash flow and is designed to reward increases in a restaurant’s annual sales above the concept sales plan with a required flow-through percentage of the incremental sales to cash flow. Managing and chef partners whose restaurants achieve certain annual sales targets above the concept’s sales plan (and the required flow-through percentage) receive a bonus equal to a percentage of the incremental sales. Such percentage is determined by the sales target achieved.

Managing partners and chef partners are eligible to receive deferred compensation payments under our Partner Ownership Account Plan (the “POAP”), upon completion of their five-year employment agreement. All managing and chef partners who executed new employment agreements after May 1, 2011 were required to participate in the current partner program, including the POAP.

The POAP requires managing and chef partners to make an initial deposit of up to $10,000 into their “Partner Investment Account.” We make a bookkeeping contribution to each partner’s “Company Contributions Account” no later than the end of February of each year following the completion of each year (or partial year where applicable) under the partner’s employment agreement. The value of each of our contributions is equal to a percentage of cash flow of the partner’s restaurant plus, if the restaurant has been open at least 18 calendar months, a percentage of the year-over-year increase in the restaurant’s cash flow.

Our managing and chef partners who executed employment agreements prior to May 1, 2011 were eligible to participate in our prior partner program. Under that program, they were required to sign five-year employment agreements and received monthly distributions of the same percentage of their restaurant’s cash flow as under the current program. Upon completion of their five-year employment agreement, they were eligible to participate in the Partner Equity Plan (“PEP”), a deferred compensation program. Managing and chef partners were also required to purchase a non-transferable ownership interest in a partnership (“Management Partnership”) that provided management and supervisory services to his or her restaurant. The purchase price for a managing partner’s ownership interest was fixed at $25,000, and the purchase price for a chef partner’s ownership interest ranged from $10,000 to $15,000 (see “Liquidity and Capital Resources—Deferred Compensation Plans” included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”). Approximately, 15% of our managing and chef partners participate in the PEP as of December 31, 2013.

Many Outback Steakhouse international restaurant managing partners enter into employment agreements and purchase participation interests in the cash distributions from the restaurants they manage. The amount and terms vary by country. This interest gives the managing partner the right to receive a percentage of his or her restaurant’s annual cash flows for the duration of the agreement. Additionally, each new unaffiliated franchisee is required to provide the same opportunity to the managing partner of each new restaurant opened by that franchisee.

An area operating partner is required, as a condition of employment, to make a deposit of $10,000 within 30 days of the opening of each new restaurant that he or she oversees, up to a maximum deposit of $50,000 (taking into account investments under prior programs). This deposit gives the area operating partner the right to monthly payments based on a percentage of his or her restaurants’ monthly cash flows for the time period that the area operating partner oversees the restaurant, typically ranging from 4.0% to 4.5%. After the restaurant has been open for a five-year period, the area operating partner will receive a bonus equal to a multiple of the area operating partner’s average monthly payments for the 24 months immediately preceding the bonus date. The bonus will be paid within 90 days or over a two-year period, depending on the bonus amount.

In 2011, we also began a version of the President's Club annual bonus described above for area operating partners to provide additional rewards for achieving sales targets with a required flow-through of the incremental sales to cash flow as defined in the President's Club bonus program.

Area operating partners for restaurants opened on or before December 31, 2011 were eligible to participate in our prior program. Under the prior program, an area operating partner was required, as a condition of employment and within 30 days of the opening of his or her first restaurant, to make an initial investment of $50,000 in a Management Partnership that provides supervisory services to the restaurants that the area operating partner was overseeing. This interest gave the area operating partner the right to distributions from the Management Partnership based on a percentage of his or her restaurants' monthly cash flows for the duration of the agreement, typically ranging from 4.0% to 9.0%. We have the option to purchase an area operating partner's interest in the Management Partnership after the restaurant has been open for a five-year period on the terms specified in the agreement. For restaurants opened between January 1, 2007 and December 31, 2011, the area operating partner's percentage of cash distributions and buyout percentage is calculated based on the associated restaurant's return on investment compared to our targeted return on investment and may range from 3.0% to 12.0% depending on the concept. Restaurants opened after December 31, 2011 are governed by our current operating partner compensation program discussed above.

We also have field operations performance evaluations and development processes. All field managing partners and area managers receive feedback on performance with consistent metrics linked to quarterly restaurant, area and concept business objectives.

By offering these types of compensation arrangements and by providing the area operating, managing and chef partners a significant interest in the success of their restaurants, we believe we are able to attract and retain experienced and highly motivated area operating, managing and chef partners.

Supervision and Training

We require our area operating partners and restaurant managing partners to have significant experience in the full-service restaurant industry. As part of our management development programs, we engage in succession planning at a total Company and concept level to identify promotable personnel, with focused training programs to prepare managers for the next level of responsibility. Our current core concept presidents have been with us for an average of 13 years and have an average of 29 years of industry experience. Our regional field management team has an average of 11 years of experience working with us at the managing partner level or above.

All operating partners and managing partners are required to complete a comprehensive training program that emphasizes our operating strategy, procedures and standards. Our senior management meets quarterly with our area operating partners to discuss business-related issues and to share ideas. In addition, members of senior management visit restaurants regularly to ensure that our concept, strategy and standards of quality are being adhered to in all aspects of restaurant operations.

The restaurant managing and area operating partners, together with our Presidents, Regional Vice Presidents, Senior Vice Presidents of Training and Directors of Training, are responsible for selecting and training the employees for each new restaurant. The training period for new non-management employees lasts approximately one week and is characterized by on-the-job supervision by an experienced employee. Ongoing employee training remains the responsibility of the restaurant manager. Written tests and observation in the work place are used to evaluate each employee's performance. Special emphasis is placed on the consistency and quality of food preparation and service, which is monitored through monthly meetings between kitchen managers and management.

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Service

We seek to deliver superior service to each customer at every opportunity. We offer customers prompt, friendly and efficient service, keep wait staff-to-table ratios high and staff each restaurant with experienced management teams to ensure consistent and attentive customer service. Members of our wait staff demonstrate an attention to detail, culinary expertise and focus on execution and complete training programs specific to the concept's menu (including the specific flavors of each dish), culture and brand positioning. They are trained to be responsive to the needs of our customers as they assist customers in selecting menu items complementing individual preferences.

In order to better assess and improve our performance, we use Service Management Group ("SMG") to conduct an ongoing satisfaction measurement program that utilizes a random invitation to participate in a web-based survey printed on approximately 25% of our customer checks per week and provides us with benchmarking information from other restaurant concepts. The program measures satisfaction across a wide range of experience elements, from the pace of the experience to the temperature of the food. Results are compiled and reported through a central website at the national, regional and individual restaurant level. As of December 31, 2013, 44 casual dining restaurant concepts, including Outback Steakhouse, Carrabba's Italian Grill and Bonefish Grill, and eight fine dining concepts, including Fleming's Prime Steakhouse and Wine Bar, participate in the SMG survey web methodology and contribute to the SMG average comparison measures for casual and fine dining, respectively, that we utilize in assessing our performance. The minimum sample size for our SMG customer surveys is 100 customers per restaurant per month.

Food Preparation and Quality Control

We focus on using high quality ingredients in our menu items, including the grade of our beef and freshness of our seafood and produce, while keeping costs in line with target pricing for our concepts. Food safety is a critical priority, and we dedicate resources to ensuring that our customers enjoy safe food products. We take various steps to mitigate food quality and safety risks and have central teams focused on this goal together with our supply chain, food safety/quality assurance and R&D teams.

We have a central R&D facility located in Tampa, Florida that serves as a test kitchen and vendor product qualification site. Our supply chain team manages internal auditors for supplier evaluations along with external third parties to inspect supplier adherence to quality, food safety and product specification on a risk-based schedule. Our suppliers also utilize third party labs for food safety and quality verification. Suppliers that do not comply with quality, food safety and other specifications are not utilized until they have corrective actions in place and are re-certified for compliance.

Our operational teams have multiple touch points in the restaurants ensuring food safety, quality and freshness throughout all phases of the preparation process. In addition, we employ third party auditors to verify our standards of food safety, training and sanitation. We also utilize an outside advisory council comprised of external subject matter experts to advise our senior management on industry trends, food quality and safety, and animal well-being strategies and procedures, as well as food regulatory updates.

SOURCING AND SUPPLY

We take a centralized approach to purchasing and supply chain management, with our corporate team serving all concepts domestically and internationally. In addition, we have dedicated supply chain management personnel at the local level in our larger international operations in Asia and South America. The supply chain management organization is responsible for all food and operating supply purchases as well as a large percentage of field and home office services. In addition, we have logistics teams and supplier alliances dedicated to optimizing freight costs. The supply chain management organization’s mission is to create a competitive advantage by encouraging continuous innovation through collaborative value engineering coupled with delivering “total quality” food and services to our restaurants.

We address the end-to-end costs (from the source to the fork) associated with the products and goods we purchase by utilizing a combination of centralized domestic and locally based supply to capture the efficiencies and economics of scale that come from making strategic buys. Our "total cost of ownership" ("TCO") approach focuses on the initial purchase price, coupled with the cost structure underlying the procurement and order fulfillment process. The TCO approach includes monitoring commodity markets and trends to execute product purchases at the most advantageous times. We develop sourcing strategies for all major commodity categories based on the dynamics of each category. These strategies include both spot purchases and long-term contracts of generally one year or less in those cases where we believe long-term contract prices are more attractive than anticipated spot prices. In addition, we require our supplier partners to meet or exceed our quality assurance standards.

We have a national distribution program that includes food, beverage, smallwares and packaging goods. This program is with a custom distribution company that uses a limited number of warehouses that provide only products approved for our system. This customized relationship also enables our purchasing staff to effectively manage and prioritize our supply chain.

Proteins represent about 60% of our commodity purchasing composition, with beef representing slightly over half of total purchased proteins. In 2013, we purchased more than 90% of our beef raw materials from four beef suppliers that represent approximately 90% of the total beef marketplace in the U.S. Due to the nature of our industry, we expect to continue purchasing a substantial amount of our beef from a small number of suppliers. Other major commodity categories purchased include produce, dairy, bread and pasta, and energy sources to operate our restaurants, such as natural gas.

RESTAURANT OWNERSHIP STRUCTURES

Our restaurants are predominately Company-owned or operated under franchise arrangements. We generate our revenues primarily from our Company-owned restaurants and secondarily through ongoing royalties from our franchised restaurants and sales of franchise rights.

Company-Owned Restaurants

Company-owned restaurants include restaurants owned directly by us, by limited liability companies in which we are a member, by partnerships in which we are a general partner and by corporations in which we are a shareholder. Our legal ownership interests in these limited liability companies, as general partner, in these limited partnerships and as a shareholder in these corporations generally range, in each case, from 55% to 100%. Our cash flows from these entities are limited to the portion of our ownership. The results of operations of Company-owned restaurants are included in our consolidated operating results. The portion of income or loss attributable to the other partners' interests is eliminated in Net income attributable to noncontrolling interests in our Consolidated Statements of Operations and Comprehensive Income.

We do not plan to continue utilizing partnerships for domestic Company-owned restaurants, except where required by laws regulating licensing of alcoholic beverages. Instead, the restaurants will be wholly-owned by us through corporations or limited liability companies and the area operating, managing and chef partners will receive their distributions of restaurant cash flows as employee compensation rather than partnership distributions.

We pay royalties on approximately 95% of our Carrabba's Italian Grill restaurants ranging from 1.0% to 1.5% of sales pursuant to agreements we entered into with the Carrabba's Italian Grill founders.

Historically, Company-owned restaurants also included restaurants owned by our Roy’s joint venture and our consolidated financial statements included the accounts and operations of our Roy’s joint venture even though we had less than majority ownership due to our status as primary beneficiary of the joint venture and ability to control its significant activities. Effective October 1, 2012, we purchased the remaining interests in our Roy’s joint venture from our joint venture partner, RY-8, Inc. (“RY-8”), for $27.4 million.

Prior to November 1, 2013, we held a 50% ownership interest in PGS Consultoria e Serviços Ltda. (the “Brazilian Joint Venture”) through a joint venture arrangement with PGS Participações Ltda (“PGS Par”). The Brazilian Joint Venture was formed in 1998 for the purpose of operating Outback Steakhouse restaurants in Brazil. Effective November 1, 2013, we, through a wholly owned subsidiary, completed the acquisition of a controlling interest in the Brazilian Joint Venture by purchasing 80% of the issued and outstanding capital stock of PGS Par. We now hold a 90% interest in the Brazilian Joint Venture. We completed the acquisition for total consideration of approximately R$240.8 million (BRL) (or approximately $110.4 million) in cash (see “Liquidity and Capital Resources—Transactions” included in “Management's Discussion and Analysis of Financial Condition and Results of Operations”).

Prior to the acquisition, we accounted for the Brazilian Joint Venture under the equity method of accounting. We were responsible for 50% of the costs of restaurants operated by the Brazilian Joint Venture, and our joint venture partner was responsible for the other 50% and had operating control. Income and loss derived from the Brazilian Joint Venture for periods prior to the acquisition are presented in Income from operations of unconsolidated affiliates in our Consolidated Statements of Operations and Comprehensive Income. Restaurants owned by the Brazilian Joint Venture are included in “Unconsolidated Joint Venture” restaurants for periods prior to the acquisition.

In connection with the settlement of litigation with T-Bird Nevada, LLC and its affiliates (collectively, “T-Bird”), which included the franchisees of 56 Outback Steakhouse restaurants in California, T-Bird had a right (referred to as the “Put Right”), to require us to purchase for cash all of the ownership interests in the T-Bird entities that own Outback Steakhouse restaurants and certain rights under the development agreement with T-Bird. The Put Right was exercised by T-Bird on August 5, 2013 (the “Put Notice”). As permitted pursuant to the Put Right, T-Bird revoked the Put Notice on November 16, 2013. As a result, T-Bird's Put Right terminated as of the date of the revocation, and we are no longer obligated to purchase the T-Bird entities.

UNAFFILIATED FRANCHISE PROGRAM

Our unaffiliated franchise arrangements grant third parties a license to establish and operate a restaurant using one of our concepts, our systems and our trademarks in a given area. The unaffiliated franchisee pays us for the concept ideas, strategy, marketing, operating system, training, purchasing power and brand recognition.

Franchised restaurants must be operated in compliance with their respective concept's methods, standards and specifications, including regarding menu items, ingredients, materials, supplies, services, fixtures, furnishings, decor and signs, although the franchisee has full discretion to determine menu prices. In addition, all franchisees are required to purchase all food, ingredients, supplies and materials from approved suppliers. Our regional vice presidents semi-annually inspect franchised restaurants to confirm compliance with our requirements.

At December 31, 2013, there were 105 domestic franchised Outback Steakhouse restaurants and 51 international (including Guam) franchised Outback Steakhouse restaurants. Each domestic franchisee paid an initial franchise fee of $40,000 for each restaurant and is required to pay a continuing monthly royalty of 3.0% of gross restaurant sales and a monthly marketing administration fee of 0.5% of gross restaurant sales. Initial fees and royalties for international franchisees vary by market. Generally, each international franchisee paid an initial franchise fee of $40,000 to $200,000 for each restaurant and is expected to pay a continuing monthly royalty of 3.0% to 6.0% of gross restaurant sales. Certain international franchisees enter into an international development agreement that requires them to pay a development fee in exchange for the right and obligation to develop and operate up to five restaurants within a defined development territory for a defined period of time. Domestic franchisees are required to expend an annually adjusted percentage of gross restaurant sales, up to a maximum of 3.5%, for national advertising on a monthly basis (3.0% in 2012 and increased to 3.2% in 2013). International franchisees are required to expend 3.5% of gross restaurant sales for advertising on a monthly basis, which is calculated each month, based on the previous month's gross restaurant sales.

At December 31, 2013, there was one domestic franchised Carrabba's Italian Grill. The franchisee paid an initial franchise fee of $40,000 and pays a continuing monthly royalty of 5.75% of gross restaurant sales.

At December 31, 2013, there were seven domestic franchised Bonefish Grills. Four of these franchisees paid an initial franchise fee of $50,000 for each restaurant and pay a continuing monthly royalty of 4.0% of gross restaurant sales. Three of these franchisees pay royalties up to 4.0%, depending on sales volumes. Under the terms of the franchise agreement, the franchisees are required to expend, on a monthly basis, a minimum of 1.5% of gross restaurant sales on local advertising and pay a monthly marketing administration fee of 0.5% of gross restaurant sales.

There were no unaffiliated franchises associated with Fleming's Prime Steakhouse and Wine Bar or Roy's at December 31, 2013.

Under the development agreement granted to one of the T-Bird entities, the T-Bird entities have the exclusive right through 2031 to develop and operate Outback Steakhouse restaurants as a franchisee in the State of California. We have agreed to waive all rights of first refusal in our franchise arrangements with the T-Bird entities in connection with a sale of all, and not less than all, of the assets, or at least 75% of the ownership of the T-Bird entities.

COMPETITION

The restaurant industry is highly competitive with a substantial number of restaurant operators that compete directly and indirectly with us in respect to price, service, location and food quality, and there are other well-established competitors with significant financial and other resources. There is also active competition for management personnel, attractive suitable real estate sites, supplies and restaurant employees. Further, we face growing competition from the supermarket industry, with improved selections of prepared meals, and from quick service and fast casual restaurants, as a result of higher-quality food and beverage offerings. We expect intense competition to continue in all of these areas.

Industry and internal research conducted suggests that consumers consider casual dining restaurants within a given trade area when making dining decisions. As a result, an individual restaurant's competitors will vary based on its trade area and will include both independent and chain restaurants. At an aggregate level, all major casual dining restaurants would be considered competitors of our concepts.

We believe our principal strategies, which include but are not limited to, the use of high quality ingredients that are in line with our target pricing, the variety of our menu and concepts, the quality and consistency of our food and service, the use of various promotions and the selection of appropriate locations for our restaurants, allow us to effectively and efficiently compete in the restaurant industry.

GOVERNMENT REGULATION

We are subject to various federal, state, local and international laws affecting our business. Each of our restaurants is subject to licensing and regulation by a number of governmental authorities, which may include, among others, alcoholic beverage control, health and safety, nutritional menu labeling, health care, environmental and fire agencies in the state, municipality or country in which the restaurant is located. Difficulty in obtaining or failing to obtain the required licenses or approvals could delay or prevent the development of a new restaurant in a particular area. Additionally, difficulties or inabilities to retain or renew licenses, or increased compliance costs due to changed regulations, could adversely affect operations at existing restaurants.

Approximately 15% of our consolidated restaurant sales are attributable to the sale of alcoholic beverages. Alcoholic beverage control regulations require each of our restaurants to apply to a state authority and, in certain locations, county or municipal authorities for a license or permit to sell alcoholic beverages on the premises and to provide service for extended hours and on Sundays. Typically, licenses must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of daily operations of our restaurants, including minimum age of patrons and employees, hours of operation, advertising, training, wholesale purchasing, inventory control and handling and storage and dispensing of alcoholic beverages. The failure of a restaurant to obtain or retain liquor or food service licenses would adversely affect the restaurant's operations. Additionally, we are subject in certain states to "dram shop" statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person.

Our restaurant operations are also subject to federal and state labor laws, including the Fair Labor Standards Act, governing such matters as minimum wages, overtime, tip credits and worker conditions. Our employees who receive tips as part of their compensation, such as servers, are paid at a minimum wage rate, after giving effect to applicable tip credits. We rely on our employees to accurately disclose the full amount of their tip income, and we base our FICA tax reporting on the disclosures provided to us by such tipped employees. In September 2013, the Internal Revenue Service ("IRS") informed us that it proposes to issue an audit adjustment for the employer's share of FICA taxes related to cash tips allegedly received and unreported by our tipped employees during calendar year 2010, for which we recorded a liability in the third quarter of 2013 for $5.0 million. The cash tips allegedly unreported by the tipped employees are based on an IRS estimate of the aggregate amount of tips directly received by tipped employees from our customers. Subsequently, we have had additional communications with the IRS representatives, which indicate that the scope of the proposed adjustment will be expanded to include the 2011 and 2012 periods. As a result, we have reassessed the established liability balance and recorded an additional $12.0 million in the fourth quarter of 2013. As of December 31, 2013, we had $5.0 million and $12.0 million recorded in Accrued and other current liabilities and Other long-term liabilities, net, respectively, in our Consolidated Balance Sheet at December 31, 2013. Our other personnel, such as our kitchen staff, are typically paid in excess of minimum wage. As significant numbers of our food service and preparation personnel are paid at rates related to the applicable minimum wage, further increases in the minimum wage or other changes in these laws could increase our labor costs. Our ability to respond to minimum wage increases by increasing menu prices will depend on the responses of our competitors and customers. Our distributors and suppliers also may be affected by higher minimum wage and benefit standards and tracking costs, which could result in higher costs for goods and services supplied to us.

Further, we continue to assess our health care benefit costs. Due to the breadth and complexity of federal health care legislation and the staggered implementation of its provisions and corresponding regulations, it is difficult to predict the overall impact of the health care legislation on our business over the coming years. Although these laws do not mandate that employers offer health insurance to all employees who are eligible under the legislation, beginning in 2015 penalties will be assessed on large employers who do not offer health insurance that meets certain affordability or benefit requirements. We believe our plans currently meet these requirements, however, providing health insurance benefits to a potentially larger proportion of our employees, or the payment of penalties if the specified level of coverage is not provided at an affordable cost to employees, could have a material adverse effect on our results of operations and financial position. These laws also subject employers to significant reporting and notice requirements from the Departments of Treasury, Labor and Health and Human Services, which can also impact compliance costs as we continue to gather and submit information.

We may also be subject to lawsuits from our employees, the U.S. Equal Employment Opportunity Commission or others alleging violations of federal and state laws regarding workplace and employment matters, discrimination and similar matters. A number of lawsuits have resulted in the payment of substantial damages by the defendants. See Item 3, Legal Proceedings.

The Patient Protection and Affordability Act of 2010 (the "PPACA") enacted in March 2010 requires chain restaurants with 20 or more locations in the United States to comply with federal nutritional disclosure requirements. The FDA has indicated that it intends to issue final regulations by the first part of 2014 and the expected compliance deadline is uncertain. A number of states, counties and cities have also enacted menu labeling laws requiring multi-unit restaurant operators to disclose certain nutritional information to customers, or have enacted legislation restricting the use of certain types of ingredients in restaurants. Although the federal legislation is intended to preempt conflicting state or local laws on menu labeling, until we are required to comply with the federal law we may be subject to a patchwork of state and local laws and regulations regarding nutritional content disclosure requirements. Many of these requirements are inconsistent or are interpreted differently from one jurisdiction to another. While our ability to adapt to consumer preferences is a strength of our concepts, the effect of such labeling requirements on consumer choices, if any, is unclear at this time.

There is potential for increased regulation of food in the United States under the recent changes in Hazard Analysis & Critical Control Points ("HACCP") system requirements. HACCP refers to a management system in which food safety is addressed through the analysis and control of potential hazards from production, procurement and handling, to manufacturing, distribution and consumption of the finished product. Many states have required restaurants to develop and implement HACCP Systems and the United States government continues to expand the sectors of the food industry that must adopt and implement HACCP programs. For example, the Food Safety Modernization Act (the "FSMA"), signed into law in January 2011, granted the FDA new authority regarding the safety of the entire food system, including through increased inspections and mandatory food recalls. Although restaurants are specifically exempted from or not directly implicated by some of these new requirements, we anticipate that the new requirements may impact our industry. Additionally, our suppliers may initiate or otherwise be subject to food recalls that may impact the availability of certain products, result in adverse publicity or require us to take actions that could be costly for us or otherwise harm our business.

We are subject to the Americans with Disabilities Act ("ADA"), which, among other things, requires our restaurants to meet federally mandated requirements for the disabled. The ADA prohibits discrimination in employment and public accommodations on the basis of disability. Under the ADA, we could be required to expend funds to modify our restaurants to provide service to, or make reasonable accommodations for the employment of, disabled persons. In addition, our employment practices are subject to the requirements of the Immigration and Naturalization Service relating to citizenship and residency.

Government regulations could affect and change the items we procure for resale. We may also become subject to legislation or regulation seeking to tax and/or regulate high-fat and high-sodium foods, particularly in the United States, which could be costly to comply with. Our results may be impacted by tax legislation and regulation in the jurisdictions in which we operate and by accounting standards or pronouncements.

We are also subject to laws and regulations relating to information security, privacy, cashless payments, gift cards and consumer credit, protection and fraud, and any failure or perceived failure to comply with these laws and regulations could harm our reputation or lead to litigation, which could adversely affect our financial condition.

See "Risk Factors" for a discussion of risks relating to federal, state, local and international regulation of our business.

EXECUTIVE OFFICERS

Below is a list of the names, ages and positions as of February 25, 2014, and a brief description of the business experience, of each of our executive officers.

NAME	AGE	POSITION
Elizabeth A. Smith	50	Chairman of the Board of Directors and Chief Executive Officer
David J. Deno	56	Executive Vice President and Chief Financial and Administrative Officer
Stephen K. Judge	45	Executive Vice President and President of Bonefish Grill
Joseph J. Kadow	57	Executive Vice President, Chief Legal Officer and Secretary
Patrick C. Murtha	56	Executive Vice President and President of Outback Steakhouse International
David A. Pace	54	Executive Vice President and Chief Resource Officer
Amanda L. Shaw	42	Senior Vice President,Technology and Chief Accounting Officer

Jeffrey S. Smith	51	Executive Vice President and President of Outback Steakhouse

Elizabeth A. Smith has served as the Chairman of our Board of Directors since January 2012 and as our Chief Executive Officer ("CEO") and a director since November 2009. From September 2007 to October 2009, Ms. Smith was President of Avon Products, Inc. and was responsible for its worldwide product-to-market processes, infrastructure and systems, including Global Brand Marketing, Global Sales, Global Supply Chain and Global Information Technology. In January 2005, Ms. Smith joined Avon Products, Inc. as President, Global Brand, and was given the additional role of leading Avon North America in August 2005. From September 1990 to November 2004, Ms. Smith worked in various capacities at Kraft Foods Inc. and from November 2004 to December 2008, served as a director of Carter's Inc. Ms. Smith is a member of the board of directors of Staples, Inc. and Hilton Worldwide Holdings, Inc.

David J. Deno has served as our Executive Vice President and Chief Financial and Administrative Officer since November 2013 and served as Executive Vice President and Chief Financial Officer from May 2012 to November 2013. Prior to May 2012, Mr. Deno served as Chief Financial Officer of the international division of Best Buy Co., Inc. since December 2009. Prior to joining Best Buy Co., Inc. Mr. Deno was a consultant with Obelysk Capital from February 2009 to December 2009. Prior to joining Obelysk Inc., Mr. Deno was a Managing Director of CCMP Capital Advisors, LLC ("CCMP"), a private equity firm from August 2006 to February 2009. While with CCMP, Mr. Deno was the President and then CEO of Quiznos, LLC, an operator of quick service restaurants. Prior to this, he had a 15 year career with YUM! Brands, Inc. where he served as Chief Financial Officer and later as Chief Operating Officer.

Stephen K. Judge joined Bloomin' Brands as Executive Vice President and President of Bonefish Grill in January 2013. Prior to January 2013, he was President of Seasons 52, which is a restaurant concept owned by Darden Restaurants, Inc., from March 2007 to December 2012. Prior to Seasons 52, Mr. Judge held Food & Beverage and Operations leadership positions at the MGM Grand, one of the world's largest hotels, Rosewood Hotels and Resorts, LLC, Princess Cruise Lines, Ltd. and Premier Cruise Lines.

Joseph J. Kadow has been our Executive Vice President and Chief Legal Officer since April 2005 and served as our Senior Vice President and General Counsel from April 1994 to April 2005. Mr. Kadow has also served as Secretary since April 1994.

Patrick C. Murtha joined Bloomin' Brands as Executive Vice President and President of Outback Steakhouse International in November 2013. Prior to November 2013, he held leadership roles at Yum! Brands, Inc. where he spent 17 years in a variety of positions including Chairman of the Board and Managing Director of KFC, Japan, Ltd., Chief Operating Officer of Pizza Hut, Inc. and Chief People Officer for Yum! Restaurants International. Mr. Murtha has also held leadership roles at Ameritech and PepsiCo., Inc.

David A. Pace has served as our Chief Resource Officer and Executive Vice President since August 2010. Mr. Pace served as a consultant for Egon Zehnder International from 2009 to 2010. From 2002 to 2008, Mr. Pace served as Executive Vice President of Partner Resources for Starbucks Corporation. Mr. Pace has also held various positions with other companies prior to his position with Starbucks Corporation, including PepsiCo, Inc. and YUM! Brands, Inc. Mr. Pace is a member of the board of directors of Jamba Inc.

Amanda L. Shaw has been our Senior Vice President, Technology and Chief Accounting Officer since August 2013. Ms. Shaw served as Group Vice President and Corporate Controller from October 2012 to August 2013 and Vice President and Corporate Controller from December 2006 until October 2012.

Jeffrey S. Smith has served as President of Outback Steakhouse since April 2007 and our Executive Vice President since January 1, 2012. Mr. Smith served as a Vice President of Bonefish Grill from May 2004 to April 2007 and as Regional Vice President—Operations of Outback Steakhouse from January 2002 to May 2004.

EMPLOYEES

As of December 31, 2013, we employed approximately 101,000 persons, of which approximately 1,000 are corporate personnel, approximately 5,500 are restaurant management personnel and the remainder are hourly restaurant personnel. Of the approximately 1,000 corporate employees, approximately 220 are in management and 780 are administrative or office employees. None of our U.S. employees are covered by a collective bargaining agreement. Various national industry-wide labor agreements apply to certain of our employees in Brazil and Mexico. We believe that we have good labor relations with our employees.

TRADEMARKS

We regard our “Outback Steakhouse,” “Carrabba’s Italian Grill,” “Bonefish Grill,” “Fleming’s Prime Steakhouse and Wine Ba and “Roy’s” service marks and our “Bloomin’ Onion” trademark as having significant value and as being important factors in the marketing of our restaurants. We have also obtained trademarks for several of our other menu items and for various advertising slogans. We are aware of names and marks similar to the service marks of ours used by other persons in certain geographic areas in which we have restaurants. However, we believe such uses will not adversely affect us. Our policy is to pursue registration of our marks whenever possible and to oppose vigorously any infringement of our marks.

We license the use of our registered trademarks to franchisees and third parties through franchise arrangements and licenses. The franchise and license arrangements restrict franchisees’ and licensees’ activities with respect to the use of our trademarks, and impose quality control standards in connection with goods and services offered in connection with the trademarks.

SEASONALITY AND QUARTERLY RESULTS

Our business is subject to seasonal fluctuations. Historically, customer traffic patterns to our established restaurants are generally highest in the first quarter of the year and lowest in the third quarter of the year. Additionally, holidays, severe winter weather, hurricanes, thunderstorms and similar conditions may affect sales volumes seasonally in some of our markets. Quarterly results have been and will continue to be significantly affected by general economic conditions, the timing of new restaurant openings and their associated pre-opening costs, restaurant closures and exit-related costs and impairments of goodwill, definite and indefinite-lived intangible assets and property, fixtures and equipment. As a result of these and other factors, our financial results for any given quarter may not be indicative of the results that may be achieved for a full fiscal year.

ADDITIONAL INFORMATION

We make available, free of charge, through our internet website www.bloominbrands.com, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after electronically filing such material with the Securities and Exchange Commission (“SEC”). You may read and copy any materials filed with the SEC at the Securities and Exchange Commission’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. This information is also available at www.sec.gov. The reference to these website addresses does not constitute incorporation by reference of the information contained on the websites and should not be considered part of this Report.

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Item 1A. Risk Factors

The risk factors set forth below should be carefully considered. The risks described below are those that we believe are risks that we face that could materially and adversely affect our business, financial condition or results of operations, however, they are not the only risks facing us. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition or results of operations.

Risks Related to Our Business and Industry

We face significant competition for customers, real estate and employees and competitive pressure to adapt to changes in conditions driving customer traffic. Our inability to compete effectively may affect our traffic, sales and profit margins, which could adversely affect our business, financial condition and results of operations.

The restaurant industry is intensely competitive with a substantial number of restaurant operators that compete directly and indirectly with us in respect to price, service, location and food quality, and there are other well-established competitors with significant financial and other resources. There is also active competition for management personnel as well as attractive suitable real estate sites. Consumer tastes, nutritional and dietary trends, traffic patterns and the type, number and location of competing restaurants often affect the restaurant business, and our competitors may react more efficiently and effectively to those conditions. Further, we face growing competition from the supermarket industry, with the improvement of their "convenient meals" in the deli and prepared food sections, and from quick service and fast casual restaurants, as a result of higher-quality food and beverage offerings by those restaurants. If we are unable to continue to compete effectively, our traffic, sales and margins could decline and our business, financial condition and results of operations would be adversely affected.

Challenging economic conditions may have a negative effect on our business and financial results through lower consumer confidence and discretionary spending, availability and cost of credit, foreign currency exchange rates and other items.

Challenging economic conditions may negatively impact consumer confidence and discretionary spending and thus cause a decline in our cash flows from operations. For example, the ongoing impacts of high unemployment, continued reduced access to credit, financial market volatility and unpredictability, governmental spending and budget matters, other national, regional and local regulatory and economic conditions, gasoline prices, reduced disposable consumer income and consumer confidence have had a negative effect on discretionary consumer spending. This has negatively affected customer traffic and comparable restaurant sales for us and throughout our industry. We believe these factors and conditions are continuing to result in a challenging sales environment in the casual dining sector. If challenging economic conditions persist for an extended period of time or worsen, consumers might make long-lasting changes to their discretionary spending behavior, including dining out less frequently. The ability of the U.S. economy to continue to recover from these challenging economic conditions is likely to be affected by many national and international factors that are beyond our control, including current economic trends in Europe. Continued weakness in or a further worsening of the economy, generally or in a number of our markets, and our customers' reactions to these trends could result in increased pressure with respect to our pricing, traffic levels, commodity costs and the continuation of our innovation and productivity initiatives, which could negatively impact our business and results of operations. These factors could also cause us to, among other things, reduce the number and frequency of new restaurant openings, close restaurants or delay remodeling of our existing restaurant locations. Further, poor economic conditions may force nearby businesses to shutdown, which could cause our restaurant locations to be less attractive due to diminished retail activity in the area.

In addition, as noted in our other risk factors, our high degree of leverage could increase our vulnerability to general economic and industry conditions and require that a substantial portion of cash flow from operations be dedicated to the payment of principal and interest on our indebtedness. Further, the availability of credit already arranged for under our revolving credit facilities and the cost and availability of future credit may be adversely impacted by economic challenges. Foreign currency exchange rates for the countries in which we operate may decline. In addition, we may experience interruptions in supplies and other services from our third-party vendors as a result of market conditions. These disruptions in the economy are beyond our control, and there is no guarantee that any government response will restore consumer confidence, stabilize the economy or increase the availability of credit.

Loss of key management personnel could hurt our business and inhibit our ability to operate and grow successfully.

Our success will continue to depend, to a significant extent, on our leadership team and other key management personnel. If we are unable to attract and retain sufficiently experienced and capable management personnel, our business and financial results may suffer. If members of our leadership team or other key management personnel leave, we may have difficulty replacing them, and our business may suffer. There can be no assurance that we will be able to successfully attract and retain our leadership team and other key management personnel that we need.

Risks associated with our expansion plans may have adverse effects on our ability to increase revenues.

As part of our business strategy, we intend to continue to expand our current portfolio of restaurants. Current development schedules call for the construction of between 55 and 60 new system-wide locations in 2014. A variety of factors could cause the actual results and outcome of those expansion plans to differ from the anticipated results, including among other things:

- the availability of attractive sites for new restaurants and the ability to acquire or lease appropriate real estate at those sites at acceptable prices;
- our ability to generate sufficient funds from operations or to obtain acceptable financing to support our development;
- our ability to obtain all required governmental permits, including zoning approvals and liquor licenses, on a timely basis;
- the impact of moratoriums or approval processes of state, local or foreign governments, which could result in significant delays;
- our ability to obtain all necessary contractors and sub-contractors;
- union activities such as picketing and hand billing, which could delay construction;
- our ability to negotiate suitable lease terms;
- our ability to recruit and train skilled management and restaurant employees;
- our ability to receive the premises from the landlord's developer without any delays;
- weather, natural disasters and disasters beyond our control resulting in construction delays; and
- consumer tastes in new geographic regions and acceptance of our restaurant concepts.

Some of our new restaurants may take several months to reach planned operating levels due to lack of market awareness, start-up costs and other factors typically associated with new restaurants. There is also the possibility that new restaurants may attract customers away from other restaurants we own, thereby reducing the revenues of those existing restaurants.

Development rates for each concept may differ significantly. The development of each concept may not be as successful as our experience in the past. It is difficult to estimate the performance of newly opened restaurants. Earnings achieved to date by restaurants open for less than two years may not be indicative of future operating results. Should enough of these new restaurants not meet targeted performance, it could have a material adverse effect on our operating results.

We could face labor shortages that could slow our growth and adversely impact our ability to operate our restaurants.

Our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified employees, including managing partners, restaurant managers, kitchen staff and servers, necessary to keep pace with our anticipated expansion schedule and meet the needs of our existing restaurants. A sufficient number of qualified individuals of the requisite caliber to fill these positions may be in short supply in some communities. Competition in these communities for qualified staff could require us to pay higher wages and provide greater benefits. Any inability to recruit and retain qualified individuals may also delay the planned openings of new restaurants and could adversely impact our existing restaurants. Any such inability to retain or recruit qualified employees, increased costs of attracting qualified employees or delays in restaurant openings could adversely affect our business and results of operations.

Although we have no collective bargaining agreements covering U.S. employees, certain of our employees located in Brazil and Mexico are covered by either industry-sponsored and/or state-sponsored collective bargaining arrangements. Additional employees in our restaurants located outside of the United States may become subject to collective bargaining arrangements in the future. Approximately 13% of our employees are located in foreign jurisdictions as of December 31, 2013. We believe that our present labor relations with all of our international employees are good, however, any work stoppages or other concerted actions by these employees could adversely affect our business and results of operations.

Our business is subject to seasonal fluctuations and past results are not indicative of future results.

Historically, customer traffic patterns for our established restaurants are generally highest in the first quarter of the year and lowest in the third quarter of the year. Additionally, holidays may affect sales volumes seasonally in some of the markets in which we operate. Our quarterly results have been and will continue to be affected by the timing of new restaurant openings and their associated pre-opening costs, as well as restaurant closures and exit-related costs and impairments of goodwill, intangible assets and property, fixtures and equipment. As a result of these and other factors, our financial results for any quarter may not be indicative of the results that may be achieved for a full fiscal year.

Significant adverse weather conditions and other disasters could negatively impact our results of operations.

Adverse weather conditions and natural disasters, such as regional winter storms, floods, major hurricanes and earthquakes, severe thunderstorms and other disasters, such as oil spills or water supply disruptions, could negatively impact our results of operations. Temporary and prolonged restaurant closures may occur and customer traffic may decline due to the actual or perceived effects from these events.

We have limited control with respect to the operations of our franchisees, which could have a negative impact on our business.

Our franchisees are obligated to operate their restaurants according to the specific guidelines we set forth. We provide training opportunities to these franchisees to fully integrate them into our operating strategy. However, since we do not have control over these restaurants, we cannot give assurance that there will not be differences in product quality or that there will be adherence to all of our guidelines at these restaurants. The failure of these restaurants to operate effectively or in accordance with our guidelines could adversely affect our cash flows from those operations or have a negative impact on our reputation or our business.

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Our failure to comply with government regulation, and the costs of compliance or non-compliance, could adversely affect our business.

We are subject to various federal, state, local and foreign laws affecting our business. Each of our restaurants is subject to licensing and regulation by a number of governmental authorities, which may include, among others, alcoholic beverage control, health and safety, nutritional menu labeling, health care, environmental and fire agencies in the state, municipality or country in which the restaurant is located. Difficulty in obtaining or failing to obtain the required licenses or approvals could delay or prevent the development of a new restaurant in a particular area. Additionally, difficulties or inabilities to retain or renew licenses, or increased compliance costs due to changed regulations, could adversely affect operations at existing restaurants.

Approximately 15% of our consolidated restaurant sales are attributable to the sale of alcoholic beverages. Alcoholic beverage control regulations require each of our restaurants to apply to a state authority and, in certain locations, county or municipal authorities for a license or permit to sell alcoholic beverages on the premises and to provide service for extended hours and on Sundays. Typically, licenses must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of daily operations of our restaurants, including minimum age of patrons and employees, hours of operation, advertising, training, wholesale purchasing, inventory control and handling and storage and dispensing of alcoholic beverages. The failure of a restaurant to obtain or retain liquor or food service licenses would adversely affect the restaurant’s operations. Additionally, we are subject in certain states to “dram shop” statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person.

Our restaurant operations are also subject to federal and state labor laws, including the Fair Labor Standards Act, governing such matters as minimum wages, overtime, tip credits and worker conditions. Our employees who receive tips as part of their compensation, such as servers, are generally paid at a minimum wage rate, after giving effect to applicable tip credits. We rely on our employees to accurately disclose the full amount of their tip income, and we base our FICA tax reporting on the disclosures provided to us by such tipped employees. In September 2013, the IRS informed us that it proposes to issue an audit adjustment for the employer’s share of FICA taxes related to cash tips allegedly received and unreported by our tipped employees during calendar year 2010, for which we recorded a liability in the third quarter of 2013 for $5.0 million. The cash tips allegedly unreported by the tipped employees are based on an IRS estimate of the aggregate amount of tips directly received by tipped employees from our customers. Subsequently, we have had additional communications with the IRS representatives, which indicate that the scope of the proposed adjustment will be expanded to include the 2011 and 2012 periods. As a result, we have reassessed the established liability balance and recorded an additional $12.0 million in the fourth quarter of 2013. As of December 31, 2013, we had $5.0 million and $12.0 million recorded in Accrued and other current liabilities and Other long-term liabilities, net, respectively, in our Consolidated Balance Sheet at December 31, 2013. Our other personnel, such as our kitchen staff, are typically paid in excess of minimum wage. As significant numbers of our food service and preparation personnel are paid at rates related to the applicable minimum wage, further increases in the minimum wage, including the recent proposal by President Obama to increase the federal minimum wage by $1.75 per hour and index future increases to inflation, or other changes in these laws could increase our labor costs. Our ability to respond to minimum wage increases by increasing menu prices will depend on the responses of our competitors and customers. Our distributors and suppliers also may be affected by higher minimum wage and benefit standards and tracking costs, which could result in higher costs for goods and services supplied to us.

Further, we continue to assess our health care benefit costs. Due to the breadth and complexity of federal health care legislation and the staggered implementation of its provisions and corresponding regulations, it is difficult to predict the overall impact of the health care legislation on our business over the coming years. Although these laws do not mandate that employers offer health insurance to all employees who are eligible under the legislation, beginning in 2015 penalties will be assessed on large employers who do not offer health insurance that meets certain affordability or benefit requirements. We believe our plans currently meet these requirements, however, providing health insurance benefits to a potentially larger proportion of our employees, or the payment of penalties if the specified level of coverage is not provided at an affordable cost to employees, could have a material adverse effect on our results of operations and financial position. These laws subject employers to significant reporting and notice requirements from the Departments of Treasury, Labor and Health and Human Services, which can also impact compliance costs as we continue to gather and submit information. Significant increases in costs due either to the recent federal legislation or general health care cost increases could adversely impact our operating results, as there is no assurance that we would be able to absorb and/or pass through those costs.

The PPACA enacted in March 2010 requires chain restaurants with 20 or more locations in the United States to comply with federal nutritional disclosure requirements. Although the FDA published proposed regulations to implement the nutritional menu labeling provisions of the PPACA in April 2011, the agency has delayed the release of final regulations implementing these requirements. A number of states, counties and cities have also enacted menu labeling laws requiring multi-unit restaurant operators to disclose certain nutritional information to customers, or have enacted legislation restricting the use of certain types of ingredients in restaurants. Although the federal legislation is intended to preempt conflicting state or local laws on menu labeling, until we are required to comply with the federal law we may be subject to a patchwork of state and local laws and regulations regarding nutritional content disclosure requirements. Many of these requirements are inconsistent or are interpreted differently from one jurisdiction to another. The effect of such labeling requirements on consumer choices, if any, is unclear at this time. We may also become subject to other legislation or regulation seeking to tax or regulate high fat and high sodium foods, particularly in the U.S., which could be costly to comply with.

There is also a potential for increased regulation of food in the United States under the recent changes in the HACCP system requirements. HACCP refers to a management system in which food safety is addressed through the analysis and control of potential hazards from production, procurement and handling, to manufacturing, distribution and consumption of the finished product. Many states have required restaurants to develop and implement HACCP Systems and the United States government continues to expand the sectors of the food industry that must adopt and implement HACCP programs. For example, the FSMA, enacted in January 2011, granted the FDA new authority regarding the safety of the entire food system, including through increased inspections and mandatory food recalls. Although restaurants are specifically exempted from or not directly implicated by some of these new requirements, we anticipate that the new requirements may impact our industry. Additionally, our suppliers may initiate or otherwise be subject to food recalls that may impact the availability of certain products, result in adverse publicity or require us to take actions that could be costly for us or otherwise harm our business.

We are subject to the ADA, which, among other things, requires our restaurants to meet federally mandated requirements for the disabled. The ADA prohibits discrimination in employment and public accommodations on the basis of disability. Under the ADA, we could be required to expend funds to modify our restaurants to provide service to, or make reasonable accommodations for the employment of, disabled persons. In addition, our employment practices are subject to the requirements of the Immigration and Naturalization Service relating to citizenship and residency. Government regulations could affect and change the items we procure for resale such as commodities. We may also become subject to legislation or regulation seeking to tax or regulate high fat and high sodium foods, particularly in the United States, which could be costly to comply with. Our results can be impacted by tax legislation and regulation in the jurisdictions in which we operate and by accounting standards or pronouncements.

We rely heavily on information technology in our operations and any material failure, weakness, interruption or breach of security could prevent us from effectively operating our business.

We rely heavily on information systems across our operations and corporate functions, including point-of-sale processing in our restaurants, management of our supply chain, payment of obligations, collection of cash, data warehousing to support analytics, finance and accounting systems and other various processes and procedures, some of which are handled by third parties. Our ability to efficiently and effectively manage our business depends significantly on the reliability and capacity of these systems. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms, or a breach in security of these systems could result in delays in customer service and reduce efficiency in our operations. Remediation of such problems could result in significant unplanned capital investments.

In 2013, we began a project to transform its technology platforms and enhance its business information and transaction systems with SAP software. The project includes implementation of a new general ledger, consolidations system and reporting tools. We implemented SAP in the U.S. during the first quarter of 2014 to support both operating and accounting activities.

Large-scale system implementations are complex and time-consuming projects that are capital intensive and can span several months or even years. Certain business and financial processes also required transformation in order to effectively leverage the system's benefits. Our business and results of operations may be adversely affected if we experience system usage problems and/or cost overruns as a result of implementing the new system, or if associated process changes do not give rise to the benefits that we expect. Additionally, if the system does not operate as intended, it could adversely affect the effectiveness of our internal controls over financial reporting. There may be other challenges and risks as we upgrade and standardize our systems and processes on a worldwide basis.

Any such events described above could result in legal claims or proceedings, liability or penalties under privacy laws, disruption in operations, and damage to our reputation, which could adversely affect our business. Security breaches and other disruptions to our information technology infrastructure could interfere with our operations, compromise information belonging to us, our customers, our employees and our suppliers, and expose us to liability which could adversely impact our business and reputation.

Security breaches of confidential customer information or personal employee information may adversely affect our business.

The majority of our restaurant sales are by credit or debit cards. Other restaurants and retailers have experienced security breaches in which credit and debit card information or other personal information of their customers has been stolen. Such a breach could result in widespread negative publicity and a loss of customers. Despite our implementation of security measures, all of our technology systems are vulnerable to damage, disability or failures due to physical theft, fire, power loss telecommunications failure or other catastrophic events, as well as from internal and external security breaches, employee error or malfeasance, denial of service attacks, viruses, worms and other disruptive problems caused by hackers. We also maintain certain personal information regarding our employees. If our technology systems were to fail, and we were unable to recover in a timely way, we could experience an interruption in our operations and incur remediation costs which could have a material adverse effect on our financial condition and results of operations. Furthermore, to the extent that some of our worldwide reporting systems require or rely on manual processes, it could increase the risk of a breach.

We may in the future become subject to lawsuits or other proceedings for purportedly fraudulent transactions arising out of the actual or alleged theft of our customers' credit or debit card information or if customer or employee information is obtained by unauthorized persons or used inappropriately. Any such claim or proceeding, or any adverse publicity resulting from such an event, may have a material adverse effect on our business.

Changes in tax laws and unanticipated tax liabilities could adversely affect the taxes we pay and our profitability.

We are subject to income and other taxes in the United States and numerous foreign jurisdictions. Our effective income tax rate in the future could be adversely affected by a number of factors, including: changes in the mix of earnings in countries with different statutory tax rates; changes in the valuation of deferred tax assets and liabilities; changes in tax laws; the outcome of income tax audits; and any repatriation of non-U.S. earnings for which we have not previously provided for U.S. taxes. Although we believe our tax estimates are reasonable, the final determination of tax audits could be materially different from our historical income tax provisions and accruals. The results of a tax audit could have a material effect on our income tax provision, results of operations or cash flows in the period or periods for which that determination is made. In addition, our effective income tax rate and our results may be impacted by our ability to realize deferred tax benefits and by any release of our valuation allowances applied to our existing deferred tax assets.

We face a variety of risks associated with doing business in foreign markets that could have a negative impact on our financial performance.

We have a significant number of Outback Steakhouse restaurants outside the United States, and we intend to continue our efforts to grow internationally. Although we believe we have developed an appropriate support structure for international operations and growth, there is no assurance that international operations will be profitable or international growth will continue.

Our foreign operations are subject to all of the same risks as our domestic restaurants, as well as additional risks including, among others, international economic, political, social and legal conditions and the possibility of instability and unrest, differing cultures and consumer preferences, diverse government regulations and tax systems, corruption, anti-American sentiment, the ability to source high quality ingredients and other commodities in a cost-effective manner, uncertain or differing interpretations of rights and obligations in connection with international franchise agreements and the collection of ongoing royalties from international franchisees, the availability and costs of land and construction, and the availability of experienced management, appropriate franchisees and area operating partners.

Currency regulations and fluctuations in exchange rates could also affect our performance. We have direct investments in restaurants in South Korea, Brazil, Hong Kong, China and Mexico, as well as international franchises, in a total of 21 countries and Guam. As a result, we may experience losses from foreign currency translation, and such losses could adversely affect our overall sales and earnings.

We are subject to governmental regulation throughout the world, including antitrust and tax requirements, anti-boycott regulations, import/export/customs regulations and other international trade regulations, the USA Patriot Act and the Foreign Corrupt Practices Act. Any new regulatory or trade initiatives could impact our operations in certain countries. Failure to comply with any such legal requirements could subject us to monetary liabilities and other sanctions, which could harm our business, results of operations and financial condition.

Increased commodity, energy and other costs could decrease our profit margins or cause us to limit or otherwise modify our menus, which could adversely affect our business.

The performance of our restaurants depends on our ability to anticipate and react to changes in the price and availability of food commodities, including among other things beef, chicken, seafood, butter, cheese and produce. Prices may be affected due to market changes, increased competition, the general risk of inflation, shortages or interruptions in supply due to weather, disease or other conditions beyond our control, or other reasons. Increased prices or shortages could affect the cost and quality of the items we buy or require us to raise prices or limit our menu options. For example, in 2013, commodity costs increased by approximately 3.2% and, as a result, we increased our prices at each of our concepts in the range of 2.1% to 3.4%. These events, combined with other more general economic and demographic conditions, could impact our pricing and negatively affect our sales and profit margins.

The performance of our restaurants is also adversely affected by increases in the price of utilities, such as natural gas, whether as a result of inflation, shortages or interruptions in supply, or otherwise. We use derivative instruments to mitigate some of our overall exposure to material increases in natural gas prices. We do not apply hedge accounting to these instruments, and changes in the fair value of the derivative instruments are marked-to-market through earnings in the period of change. To date, the effects of these derivative instruments have been immaterial to our financial statements for all periods presented.

Our business also incurs significant costs for insurance, labor, marketing, taxes, real estate, borrowing and litigation, all of which could increase due to inflation, changes in laws, competition or other events beyond our control.

Our ability to respond to increased costs by increasing menu prices or by implementing alternative processes or products will depend on our ability to anticipate and react to such increases and other more general economic and demographic conditions, as well as the responses of our competitors and customers. All of these things may be difficult to predict and beyond our control. In this manner, increased costs could adversely affect our performance.

Infringement of our intellectual property could diminish the value of our restaurant concepts and harm our business.

We regard our service marks, including "Outback Steakhouse," "Carrabba's Italian Grill," "Bonefish Grill," "Fleming's Prime Steakhouse and Wine Bar" and "Roy's" and our "Bloomin' Onion" trademark as having significant value and as being important factors in the marketing of our restaurants. We have also obtained trademarks for several of our other menu items and for various advertising slogans. In addition, the overall layout, appearance and designs of our restaurants are valuable assets. We believe that these and other intellectual property are valuable assets that are critical to our success. We rely on a combination of protections provided by contracts, copyrights, trademarks, and other common law rights, such as trade secret and unfair competition laws, to protect our restaurants and services from infringement. We have registered certain trademarks and service marks and have other registration applications pending in the United States and foreign jurisdictions. However, not all of the trademarks or service marks that we currently use have been registered in all of the countries in which we do business, and they may never be registered in all of these countries. There may not be adequate protection for certain intellectual property such as the overall appearance of our restaurants. We are aware of names and marks similar to our service marks being used by other persons in certain geographic areas in which we have restaurants. Although we believe such uses will not adversely affect us, further or currently unknown unauthorized uses or other misappropriation of our trademarks or service marks could diminish the value of our brands and restaurant concepts and may adversely affect our business. We may be unable to detect such unauthorized use of, or take appropriate steps to enforce, our intellectual property rights.

Effective intellectual property protection may not be available in every country in which we have or intend to open or franchise a restaurant. Failure to adequately protect our intellectual property rights could damage or even destroy our brands and impair our ability to compete effectively. Even where we have effectively secured statutory protection for intellectual property, our competitors may misappropriate our intellectual property and our employees, consultants and suppliers may breach their obligations not to reveal our confidential information, including trade secrets. Although we have taken appropriate measures to protect our intellectual property, there can be no assurance that these protections will be adequate or that our competitors will not independently develop products or concepts that are substantially similar to our restaurants and services. Despite our efforts, it may be possible for third parties to reverse-engineer, otherwise obtain, copy, and use information that we regard as proprietary. Furthermore, defending or enforcing our trademark rights, branding practices and other intellectual property, and seeking injunctions against and/or compensation for misappropriation of confidential information, could result in the expenditure of significant resources.

Restaurant companies, including ours, have been the target of class action lawsuits and other proceedings alleging, among other things, violations of federal and state workplace and employment laws. Proceedings of this nature are costly, divert management attention and, if successful, could result in our payment of substantial damages or settlement costs.

Our business is subject to the risk of litigation by employees, consumers, suppliers, franchisees, minority investors, stockholders or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation, particularly class action and regulatory actions, is difficult to assess or quantify. In recent years, we and other restaurant companies have been subject to lawsuits, including class action lawsuits, alleging violations of federal and state laws regarding workplace and employment matters, discrimination and various federal and state wage and hour laws. These claims have related to, among other things, employee meal deductions, the sharing of tips among certain employees, overtime eligibility of assistant managers, failure to pay for all hours worked, failure to provide meal and rest periods and termination compensation. A number of these lawsuits have resulted in the payment of substantial damages by the defendants. If we are required to pay substantial damages and expenses as a result of these or other types of lawsuits our business and results of operations would be adversely affected.

Occasionally, our customers file complaints or lawsuits against us alleging that we are responsible for some illness or injury they suffered at or after a visit to one of our restaurants, including actions seeking damages resulting from food-borne illness and relating to notices with respect to chemicals contained in food products required under state law. We are also subject to a variety of other claims from third parties arising in the ordinary course of our business, including personal injury claims, contract claims and claims alleging violations of federal and state laws. In addition, our restaurants are subject to state “dram shop” or similar laws which generally allow a person to sue us if that person was injured by a legally intoxicated person who was wrongfully served alcoholic beverages at one of our restaurants. The restaurant industry has also been subject to a growing number of claims that the menus and actions of restaurant chains have led to the obesity of certain of their customers. We may also be subject to lawsuits from our employees, the U.S. Equal Employment Opportunity Commission or others alleging violations of federal and state laws regarding workplace and employment matters, discrimination and similar matters.

Regardless of whether any claims against us are valid or whether we are liable, claims may be expensive to defend and may divert time and money away from our operations. In addition, they may generate negative publicity, which could reduce customer traffic and sales. Although we maintain what we believe to be adequate levels of insurance, insurance may not be available at all or in sufficient amounts to cover any liabilities with respect to these or other matters. A judgment or other liability in excess of our insurance coverage for any claims or any adverse publicity resulting from claims could adversely affect our business and results of operations.

Our insurance policies may not provide adequate levels of coverage against all claims, and fluctuating insurance requirements and costs could negatively impact our profitability.

We are self-insured, or carry insurance programs with specific retention levels or deductibles, for a significant portion of our risks and associated liabilities with respect to workers' compensation, general liability, liquor liability, employment practices liability, property, health benefits and other insurable risks. However, there are types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure. These losses, if they occur, could have a material and adverse effect on our business and results of operations. Additionally, health insurance costs in general have risen significantly over the past few years and are expected to continue to increase. These increases could have a negative impact on our profitability, and there can be no assurance that we will be able to successfully offset the effect of such increases with plan modifications and cost control measures, additional operating efficiencies or the pass-through of such increased costs to our customers or employees.

Conflict or terrorism could negatively affect our business.

We cannot predict the effects of actual or threatened armed conflicts or terrorist attacks, efforts to combat terrorism, military action against any foreign state or group located in a foreign state or heightened security requirements on local, regional, national, or international economies or consumer confidence. Such events could negatively affect our business, including by reducing customer traffic or the availability of commodities.

If our advertising and marketing programs are unsuccessful in maintaining or driving increased customer traffic or are ineffective in comparison to those of our competitors, our results of operations could be adversely affected.

We conduct ongoing promotion-based brand awareness advertising campaigns and customer loyalty programs. If these programs are not successful or conflict with evolving customer preferences, we may not increase or maintain our customer traffic and will incur expenses without the benefit of higher revenues. In addition, if our competitors increase their spending on marketing and advertising programs, or develop more effective campaigns, this could have a negative effect on our brand relevance, customer traffic and results of operations.

Unfavorable publicity could harm our business by reducing demand for our concepts or specific menu offerings.

Our business could be negatively affected by publicity resulting from complaints or litigation, either against us or other restaurant companies, alleging poor food quality, food-borne illness, personal injury, adverse health effects (including obesity) or other concerns. Regardless of the validity of any such allegations, unfavorable publicity relating to any number of restaurants or even a single restaurant could adversely affect public perception of the entire brand.

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Additionally, unfavorable publicity towards a food product generally could negatively impact our business. For example, publicity regarding health concerns or outbreaks of disease in a food product, such as bovine spongiform encephalopathy (also known as "mad cow" disease), could reduce demand for our menu offerings. These factors could have a material adverse effect on our business.

Consumer reaction to public health issues, such as an outbreak of flu viruses or other diseases, could have an adverse effect on our business.

Our business could be harmed if the United States or other countries in which we operate experience an outbreak of flu viruses or other diseases. If a virus is transmitted by human contact, our employees or customers could become infected or could choose or be advised to avoid gathering in public places. This could adversely affect our restaurant traffic, our ability to adequately staff our restaurants, our ability to receive deliveries on a timely basis or our ability to perform functions at the corporate level. Our business could also be negatively affected if mandatory closures, voluntary closures or restrictions on operations are imposed in the jurisdictions in which we operate. Even if such measures are not implemented and a virus or other disease does not spread significantly, the perceived risk of infection or significant health risk may have a material adverse effect on our business.

Food safety and food-borne illness concerns throughout the supply chain may have an adverse effect on our business by reducing demand and increasing costs.

Food safety issues could be caused by food suppliers or distributors and, as a result, be out of our control. In addition, regardless of the source or cause, any report of food-borne illnesses and other food safety issues including food tampering or contamination at one of our restaurants could adversely affect the reputation of our brands and have a negative impact on our sales. Even instances of food-borne illness, food tampering or food contamination occurring solely at restaurants of our competitors could result in negative publicity about the food service industry generally and adversely impact our sales. The occurrence of food-borne illnesses or food safety issues could also adversely affect the price and availability of affected ingredients, resulting in higher costs and lower margins.

The food service industry is affected by consumer preferences and perceptions, including the increasing prevalence of food allergies. Changes in these preferences and perceptions may lessen the demand for our products, which would reduce sales and harm our business.

Food service businesses are affected by changes in consumer tastes and demographic trends. For instance, if prevailing health or dietary preferences cause consumers to avoid steak and other products we offer in favor of foods that are perceived as more healthy, our business and operating results would be harmed. The increasing prevalence of food allergies and consumers with vegan and gluten-free diets, for example, may cause customers to choose to dine out less frequently or choose other restaurants with different menu options.

Inappropriate use of social media vehicles presents new risks.
The inappropriate use of certain media vehicles could cause brand damage or information leakage or could lead to legal implications from the improper collection of personal information. Negative posts or comments about us on a social networking website could seriously damage our reputation. In addition, the disclosure of our non-public sensitive information through external media channels could lead to information loss as there might not be structured processes in place to secure and archive this information. Our inability or failure to recognize, respond to and effectively manage the accelerated impact of social media could materially adversely impact our business.

We have a limited number of suppliers for our major products and rely on one custom distribution company for our national distribution program in the U.S. If our suppliers or custom distributor are unable to fulfill their obligations under their contracts or we are unable to develop or maintain relationships with these or new suppliers or distributors, if needed, we could encounter supply shortages and incur higher costs.

We have a limited number of suppliers for our major products, such as beef. In 2013, we purchased more than 90% of our beef raw materials from four beef suppliers that represent approximately 90% of the total beef marketplace in the U.S. Due to the nature of our industry, we expect to continue to purchase a substantial amount of our beef from a small number of suppliers. In addition, we use one distribution company to provide distribution services in the U.S. Although we have not experienced significant problems with our suppliers or distributor, if our suppliers or distributor are unable to fulfill their obligations under their contracts, we could encounter supply shortages and incur higher costs.

In addition, if we are unable to maintain current purchasing terms or ensure service availability with our suppliers and distributor, we may lose customers and experience an increase in costs in seeking alternative supplier services. The failure to develop and maintain supplier and distributor relationships and any resulting disruptions to the provision of food and other supplies to our restaurant locations could adversely affect our operating results.

Shortages or interruptions in the supply or delivery of fresh food products could adversely affect our operating results.

We are dependent on frequent deliveries of fresh food products that meet our specifications. Shortages or interruptions in the supply of fresh food products caused by unanticipated demand, problems in production or distribution, inclement weather or other conditions could adversely affect the availability, quality and cost of ingredients, which would adversely affect our operating results.

We outsource certain accounting processes to a third-party vendor, which subjects us to many risks that could disrupt our business, increase our costs and negatively impact our internal control processes.

In early 2011, we began to outsource certain accounting processes to a third-party vendor. The third-party vendor may not be able to handle the volume of activity or perform the quality of service that we have thus far achieved at a cost-effective rate, which could adversely affect our business. The decision to outsource was made based on cost savings initiatives; however, we may not achieve these savings because of unidentified intangible costs and legal and regulatory matters, which could adversely affect our results of operations or financial condition. In addition, the performance of certain business processes in an outsourced capacity could negatively impact our internal control processes.

An impairment in the carrying value of our goodwill or other intangible assets could adversely affect our financial condition and results of operations.

We test goodwill for impairment in the second quarter of each fiscal year and whenever events or changes in circumstances indicate that impairment may have occurred. A significant amount of judgment is involved in determining if an indication of impairment exists. Factors may include, among others:

- a significant decline in our expected future cash flows;

- a significant adverse change in legal factors or in the business climate;

- unanticipated competition;

- the testing for recoverability of a significant asset group within a reporting unit; and
- slower growth rates.

Any adverse change in these factors would have a significant impact on the recoverability of these assets and negatively affect our financial condition and results of operations. Prior to performing a quantitative test comparing the fair value of the reporting units to their carrying amounts, we may elect to perform a qualitative assessment. This qualitative assessment is referred to as a "step zero" approach and allows us the option to assess qualitative factors to determine whether the existence of events or circumstances leads to the determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In considering the step zero approach, we evaluate factors including, but not limited to, macro-economic conditions, market and industry conditions, commodity cost fluctuations, competitive environment, share price performance, results of prior impairment tests, operational stability and the overall financial performance of the reporting units. If, based on the review of the qualitative factors, we determine there is sufficient evidence to support a more likely than not (greater than 50%) probability that the fair value of a reporting unit is greater than its carrying value, we may skip the two-step quantitative impairment test.

In the two-step quantitative impairment test, we first compare the carrying value of a reporting unit, including goodwill, to the fair value of the reporting unit. Carrying value is based on the assets and liabilities associated with the operations of that reporting unit. If the carrying value is less than the fair value, no impairment exists. If the carrying value is higher than the fair value, there is an indication of impairment and a second step is required to measure a goodwill impairment loss, if any. We are required to record a non-cash impairment charge if the testing performed indicates that goodwill has been impaired.

We evaluate our other intangible assets, primarily the Outback Steakhouse (domestic and international), Carrabba's Italian Grill, Bonefish Grill, Fleming's Prime Steakhouse and Wine Bar and Roy's trademarks or trade names, to determine if they are definite or indefinite-lived. Reaching a determination on useful life requires significant judgments and assumptions regarding the future effects of obsolescence, demand, competition, other economic factors (such as the stability of the industry, legislative action that results in an uncertain or changing regulatory environment, and expected changes in distribution channels), the level of required maintenance expenditures, and the expected lives of other related groups of assets.

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

During the years ended December 31, 2013, 2012 and 2011, we did not record any goodwill or material intangible asset impairment charges. However, during the year ended December 31, 2009, we recorded goodwill and intangible asset impairment charges of $58.1 million and $43.7 million, respectively. We cannot accurately predict the amount and timing of any impairment of assets. Should the value of goodwill or other intangible assets become impaired in the future, there could be an adverse effect on our financial condition and results of operations.

Changes to estimates related to our property, fixtures and equipment and definite-lived intangible assets or operating results that are lower than our current estimates at certain restaurant locations may cause us to incur impairment charges on certain long-lived assets, including reacquired franchise rights, which may adversely affect our results of operations.

In accordance with accounting guidance as it relates to the impairment of long-lived assets, we make certain estimates and projections with regard to individual restaurant operations, as well as our overall performance, in connection with our impairment analyses for long-lived assets. When impairment triggers are deemed to exist for any location, the estimated undiscounted future cash flows are compared to its carrying value. If the carrying value exceeds the undiscounted cash flows, an impairment charge equal to the difference between the carrying value and the sum of the discounted cash flows is recorded. The projections of future cash flows used in these analyses require the use of judgment and a number of estimates and projections of future operating results, including projected growth rates and the appropriate period over which to assume asset recovery. If actual results differ from our estimates, additional charges for asset impairments may be required in the future. If impairment charges are significant, our results of operations could be adversely affected.

The possibility of future misstatement exists due to inherent limitations in our control systems, which could adversely affect our business.

We cannot be certain that our internal control over financial reporting and disclosure controls and procedures will prevent all possible error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of error or fraud, if any, in our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake, which could have an adverse impact on our business.

Our reported financial results may be adversely affected by changes in accounting principles applicable to us.

Generally accepted accounting principles in the U.S. are subject to interpretation by the Financial Accounting Standards Board, or FASB, the American Institute of Certified Public Accountants, the Securities and Exchange Commission and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change, such as standards relating to leasing. In addition, the SEC has announced a multi-year plan that could ultimately lead to the use of International Financial Reporting Standards by U.S. issuers in their SEC filings. Any such change could have a significant effect on our reported financial results.

We are a holding company and rely on dividends, distributions and other payments, advances and transfers of funds from our subsidiaries to fund our operations, which could prevent us from meeting our obligations.

We have no direct operations and derive all of our cash flow from our subsidiaries. Because we conduct our operations through our subsidiaries, we depend on those entities for dividends and other payments or distributions to fund our operations. Our ability to obtain funds from our subsidiaries is limited by our debt agreements. Our inability to comply with these covenants and the deterioration of the earnings from, or other available assets of, our subsidiaries for any reason could limit or impair their ability to pay dividends or other distributions to us.

Risks Related to Our Indebtedness

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry and expose us to interest rate risk in connection with our variable-rate debt.

We are highly leveraged. As of December 31, 2013, our total indebtedness was approximately $1.4 billion. As of December 31, 2013, we also had approximately $193.4 million in available unused borrowing capacity under our revolving credit facility (after giving effect to undrawn letters of credit of approximately $31.6 million).

Our high degree of leverage could have important consequences, including:

- making it more difficult for us to make payments on indebtedness;

- increasing our vulnerability to general economic, industry and competitive conditions;
- increasing our cost of borrowing;

- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;

- exposing us to the risk of increased interest rates because certain of our borrowings under our senior secured credit facilities and commercial mortgage-backed securities loans are at variable rates of interest;

- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;

- limiting our ability to obtain additional financing for working capital, capital expenditures, restaurant development, debt service requirements, acquisitions and general corporate or other purposes; and

- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who may not be as highly leveraged.

We may incur substantial additional indebtedness in the future, subject to the restrictions contained in our senior secured credit facilities entered into in October 2012 (the "Credit Facilities") and the commercial mortgage-backed securities loans entered into in March 2012 (the "2012 CMBS Loan"). If new indebtedness is added to our current debt levels, the related risks that we now face could increase.

Approximately $935.0 million of debt outstanding under our Credit Facilities and approximately $48.7 million of our 2012 CMBS Loan bear interest based on a floating rate index. An increase in these floating rates could cause a material increase in our interest expense.

Our debt agreements contain restrictions that limit our flexibility in operating our business.

We are a holding company and conduct our operations through our subsidiaries, certain of which have incurred their own indebtedness. Our subsidiaries' debt agreements contain various covenants that limit our ability to obtain funds from our subsidiaries through dividends, loans or advances. In addition, certain of our debt agreements limit our and our subsidiaries' ability to, among other things, incur or guarantee additional indebtedness, pay dividends on, redeem or repurchase our capital stock, make certain acquisitions or investments, incur or permit to exist certain liens, enter into transactions with affiliates or sell our assets to, merge or consolidate with or into, another company. Our debt agreements require us to satisfy certain financial tests and ratios. Our ability to satisfy such tests and ratios may be affected by events outside of our control.

If we breach the covenants under our debt agreements, the lenders could elect to declare all amounts outstanding under the agreements to be immediately due and payable and terminate all commitments to extend further credit. If we are unable to repay those amounts, the lenders under the Credit Facilities and the 2012 CMBS Loan could proceed against the collateral granted to them to secure that indebtedness. We have pledged substantially all of our assets as collateral under our Credit Facilities and the 2012 CMBS Loan. If the lenders under the Credit Facilities and the 2012 CMBS Loan accelerate the repayment of borrowings, we cannot be certain that we will have sufficient assets to repay them.

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We may not be able to generate sufficient cash to service all of our indebtedness and operating lease obligations, and we may be forced to take other actions to satisfy our obligations under our indebtedness and operating lease obligations, which may not be successful. If we fail to meet these obligations, we would be in default under our debt agreements and the lenders could elect to declare all amounts outstanding under them to be immediately due and payable and terminate all commitments to extend further credit.

Our ability to make scheduled payments on or to refinance our debt obligations and to satisfy our operating lease obligations depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to financial, business and other factors beyond our control. We cannot be certain that we will maintain a level of cash flow from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, or to pay our operating lease obligations. If our cash flow and capital resources are insufficient to fund our debt service obligations and operating lease obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of sufficient operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations or take other actions to meet our debt service and other obligations. Our debt agreements restrict our ability to dispose of assets and how we may use the proceeds from the disposition. We may not be able to consummate those dispositions or to obtain the proceeds that we could otherwise realize from such dispositions and any such proceeds that are realized may not be adequate to meet any debt service obligations then due. The failure to meet our debt service obligations or the failure to remain in compliance with the financial covenants under our debt agreements would constitute an event of default under those agreements and the lenders could elect to declare all amounts outstanding under them to be immediately due and payable and terminate all commitments to extend further credit.

Risks Related to Our Common Stock

We are a "controlled company" within the meaning of Nasdaq Stock Market Rules ("Nasdaq"), and as a result, we qualify for, and rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of companies that are subject to such requirements.

An investor group consisting of funds advised by our Sponsors and one of our Founders controls a majority of the voting power of our outstanding common stock. As a result, we qualify as a "controlled company" within the meaning of the corporate governance rules of Nasdaq. "Controlled companies" under those rules are companies of which more than 50% of the voting power is held by an individual, a group or another company. Each member of the investor group has filed a Statement of Beneficial Ownership on Schedule 13G with the SEC relating to its respective holdings and the group's arrangements with respect to disposition of the shares. On this basis, we currently avail ourselves of the "controlled company" exception under the Nasdaq rules and elect not to comply with certain corporate governance requirements, including:

- the requirement that a majority of our Board of Directors consist of independent Directors;
- the requirement that we have a nominating and corporate governance committee that is composed entirely of independent Directors with a written charter addressing the committee's purpose and responsibilities, or otherwise have Director nominees selected by vote of a majority of the independent directors;
- the requirement that we have a compensation committee that is composed entirely of independent Directors with a written charter addressing the committee's purpose and responsibilities; and

- the requirement for an annual performance evaluation of the nominating and corporate governance and compensation committees.

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We utilize these exemptions, as we do not currently have a majority of independent Directors, and our compensation committee and nominating and corporate governance committee do not consist entirely of independent Directors. Accordingly, you do not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq corporate governance requirements.

The investor group, however, is not subject to any contractual obligation to retain its controlling interest. There can be no assurance as to the period of time during which such group will maintain their ownership of our common stock.

Our stock price is subject to volatility and, as a result, you may not be able to resell your shares at or above the price you paid for them.

Volatility in the market price of our common stock may prevent you from being able to sell your shares at or above the price you paid for your shares. Since our IPO in August 2012 through February 25, 2014, the price of our common stock, as reported by Nasdaq, has ranged from a low of $11.57 on August 8, 2012 to a high of $27.27 on November 26, 2013. The stock market in general has been highly volatile. As a result, the market price of our common stock is similarly volatile. You may experience a decrease, which could be substantial, in the value of your stock, including decreases unrelated to our operating performance or prospects, and could lose part or all of your investment. The price of our common stock could be subject to wide fluctuations in response to a number of factors, including those described elsewhere in this filing and others such as:

- actual or anticipated fluctuations in our quarterly or annual operating results and the performance of our competitors;
- publication of research reports by securities analysts about us, our competitors or our industry;
- our failure or the failure of our competitors to meet analysts' projections or guidance that we or our competitors may give to the market;
- additions and departures of key personnel;
- sales, or anticipated sales, of large blocks of our stock or of shares held by our Directors, executive officers, Sponsors and/or Founders;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the passage of legislation or other regulatory developments affecting us or our industry;
- speculation in the press or investment community, whether or not correct, involving us, our suppliers or our competitors;
- changes in accounting principles;
- litigation and governmental investigations;
- terrorist acts, acts of war or periods of widespread civil unrest;
- a food borne illness outbreak;

- natural disasters and other calamities; and
- changes in general market and economic conditions.

As we operate in a single industry, we are especially vulnerable to these factors to the extent that they affect our industry or our products. In the past, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management’s attention and resources, and could also require us to make substantial payments to satisfy judgments or to settle litigation.

There may be sales of a substantial amount of our common stock by our current stockholders, and these sales could cause the price of our common stock to fall.

Sales of substantial amounts of our common stock in the public market, or the perception that such sales will occur, could adversely affect the market price of our common stock and make it difficult for us to raise funds through securities offerings in the future.

At February 25, 2014, there were 124,921,652 shares of our common stock issued and outstanding. Of these shares, 40,243,690 shares sold in our public offerings are eligible for immediate sale in the public market without restriction by persons other than our affiliates.

Approximately 53.7% of our issued and outstanding shares are held by investment funds associated with our Sponsors and one of our Founders as of February 25, 2014. Our Sponsors and Founder may require us to register their shares for resale under federal securities laws. Registration of such shares would allow the holders to immediately sell the shares into the public market and shares that are sold pursuant to any such registration statement would become eligible for sale without restriction by persons other than our affiliates.

In addition, we registered with the SEC the issuance of shares of common stock pursuant to outstanding options under our 2007 Equity Incentive Plan (the “2007 Equity Plan”) and shares of common stock that are reserved for issuance under our 2012 Incentive Award Plan (the “2012 Equity Plan”).

Provisions in our certificate of incorporation and bylaws, our 2012 CMBS Loan documents, our Credit Facilities and Delaware law may discourage, delay or prevent a change of control of our company or changes in our management and, therefore, may depress the trading price of our stock.

Our certificate of incorporation and bylaws include certain provisions that could have the effect of discouraging, delaying or preventing a change of control of our company or changes in our management, including, among other things:

- our Board of Directors is classified into three classes of Directors with only one class subject to election each year;

- restrictions on the ability of our stockholders to fill a vacancy on the Board of Directors;

- our ability to issue preferred stock with terms that the Board of Directors may determine, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;

- the inability of our stockholders to call a special meeting of stockholders;

- our Directors may only be removed from the Board of Directors for cause by the affirmative vote of the holders of at least 75% of the voting power of outstanding shares of our capital stock entitled to vote generally in the election of Directors;

- the absence of cumulative voting in the election of Directors, which may limit the ability of minority stockholders to elect Directors; and

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- advance notice requirements for stockholder proposals and nominations, which may discourage or deter a potential acquirer from soliciting proxies to elect a particular slate of Directors or otherwise attempting to obtain control of us.

In addition, the mortgage loan agreement for the 2012 CMBS Loan and our Credit Facilities require that our Sponsors, one of our Founders and our management stockholders or other permitted holders either own no less than 51% of our common stock or if they do not, that certain other conditions are satisfied, including a new stockholder has not obtained ownership above certain thresholds. These provisions in our certificate of incorporation, bylaws, the 2012 CMBS Loan documents and Credit Facilities may discourage, delay or prevent a transaction involving a change in control of our company that is in the best interests of our minority stockholders. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging future takeover attempts.

Section 203 of the Delaware General Corporation Law may affect the ability of an "interested stockholder" to engage in certain business combinations, including mergers, consolidations or acquisitions of additional shares, for a period of three years following the time that the stockholder becomes an "interested stockholder." An "interested stockholder" is defined to include persons owning directly or indirectly 15% or more of the outstanding voting stock of a corporation. We have elected in our certificate of incorporation not to be subject to Section 203 of the Delaware General Corporation Law. However, our certificate of incorporation contains provisions that have the same effect as Section 203, except that they provide that our Sponsors and their respective affiliates will not be deemed to be "interested stockholders," regardless of the percentage of our voting stock owned by them, and accordingly will not be subject to such restrictions.

If securities analysts or industry analysts downgrade our stock, publish negative research or reports, or do not publish reports about our business, or if our financial results are different than analysts' projections with respect to those results, our stock price and/or trading volume could decline.

We expect that the trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us, our business and our industry. If one or more analysts adversely change their recommendation regarding our stock or our competitors' stock, or if our reported financial results are different than analysts' projections with respect to the reported period, our stock price would likely decline. If one or more analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Our Sponsors and one of our Founders have significant influence over us, including control over decisions that require the approval of stockholders, which could limit your ability to influence the outcome of key transactions, including a change of control.

We are currently controlled by an investor group consisting of funds advised by our Sponsors and one of our Founders. At February 25, 2014, such group beneficially owned an aggregate of approximately 53.7% of our outstanding common stock. For as long as such group continues to beneficially own shares of common stock representing more than 50% of the voting power of our common stock, it will be able to direct the election of all of the members of our Board of Directors and could exercise a controlling influence over our business and affairs, including any determinations with respect to mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional common stock or other equity securities, the repurchase or redemption of common stock and the payment of dividends. Similarly, the investor group will have the power to determine matters submitted to a vote of our stockholders without the consent of our other stockholders, will be able to prevent or approve a change in our control and could take other actions that might be favorable to the members of the group. Even if the investor group's ownership falls below 50%, our Sponsors will continue to be able to strongly influence or effectively control our decisions.

Additionally, certain of our Directors are also officers or control persons of our Sponsors. Although these Directors owe a fiduciary duty to manage us in a manner beneficial to us and our stockholders, these individuals also owe fiduciary duties to these other entities and their stockholders, members and limited partners. Because our Sponsors have such interests in other companies and engage in other business activities, certain of our Directors may experience conflicts of interest in allocating their time and resources among our business and these other activities. One of our Founders also serves as our Director and, due to his interests in certain transactions with us and our affiliates, he may also experience such conflicts of interest. Furthermore, this individual could make substantial profits as a result of investment opportunities allocated to entities other than us. As a result, this individual could pursue transactions that may not be in our best interest, which could have a material adverse effect on our operations and your investment.

Because we have no plans to pay cash dividends on our common stock for the foreseeable future, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it.

We may retain future earnings, if any, for future operations, expansion and debt repayment and have no current plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our Board of Directors may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur, including our Credit Facilities. As a result, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than that which you paid for it.

Our ability to raise capital in the future may be limited, which could make us unable to fund our capital requirements.

Our business and operations may consume resources faster than we anticipate. In the future, we may need to raise additional funds through the issuance of new equity securities, debt or a combination of both. Additional financing may not be available on favorable terms or at all. If adequate funds are not available on acceptable terms, we may be unable to fund our capital requirements. If we issue new debt securities, the debt holders would have rights senior to common stockholders to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. If we issue additional equity securities, existing stockholders may experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future securities offerings reducing the market price of our common stock and diluting their interest.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

During the year ended December 31, 2013, we added 46 new restaurant sites and closed nine others. As of December 31, 2013, we had 1,508 system-wide restaurants located across the following states, territories or countries:

COMPANY-OWNED							
Alabama	22	Kansas	9	New Jersey	41	Utah	6
Arizona	31	Kentucky	17	New Mexico	5	Vermont	1
Arkansas	11	Louisiana	21	New York	46	Virginia	61
California	22	Maryland	42	North Carolina	64	West Virginia	8
Colorado	30	Massachusetts	21	Ohio	48	Wisconsin	11
Connecticut	14	Michigan	35	Oklahoma	11	Wyoming	2
Delaware	2	Minnesota	9	Pennsylvania	45		
Florida	223	Mississippi	2	Puerto Rico	1	Brazil (1)	48
Georgia	51	Missouri	16	Rhode Island	4	China (Mainland)	2
Hawaii	6	Montana	1	South Carolina	38	Hong Kong	8
Illinois	28	Nebraska	7	South Dakota	2	Mexico	1
Indiana	22	Nevada	15	Tennessee	37	South Korea	110
Iowa	8	New Hampshire	2	Texas	77		
FRANCHISE							
Alabama	1	Oregon	7	Dominican Republic	2	Saudia Arabia	4
Alaska	1	South Carolina	1	Egypt	1	Singapore	1
California	63	Tennessee	3	Guam	1	Taiwan	5
Florida	3	Washington	18	Indonesia	3	Thailand	1
Idaho	6			Japan	10	United Arab Emirates	1
Mississippi	6	Australia	7	Malaysia	1		
Montana	2	Bahamas	1	Mexico	5		
North Carolina	1	Canada	3	Philippines	3		
Ohio	1	Costa Rica	1	Qatar	1		

(1) The restaurant count for Brazil is reported as of November 30, 2013 to correspond with the balance sheet date of this subsidiary and, therefore, excludes two restaurants that opened in December 2013.

As of December 31, 2013, approximately 20% of our restaurant sites were owned by our subsidiaries. The remaining 80% of our restaurant sites were leased by our subsidiaries from third parties.

In the future, we intend to either convert existing third-party leased retail space or construct new restaurants through leases in the majority of circumstances. Initial lease expirations for our other leased properties typically range from five to ten years, with the majority of the leases providing for an option to renew for two or more additional terms. All of our leases provide for a minimum annual rent, and many leases call for additional rent based on sales volume at the particular location over specified minimum levels. Generally, the leases are net leases that require us to pay our share of the costs of insurance, taxes and common area operating costs.

As of December 31, 2013, we leased approximately 168,000 square feet of office space in Tampa, Florida for our corporate headquarters and research and development facilities under leases expiring on January 31, 2025.

Item 3. Legal Proceedings

On October 4, 2013, Brooke Cardoza and Cody Hancock (collectively, the "Nevada Plaintiffs"), two current employees, filed a purported collective action lawsuit against us in the U.S. District Court for the District of Nevada. The complaint alleges violations of the Fair Labor Standards Act by requiring employees to work off the clock, complete online training without pay, and attend meetings in the restaurant without pay. The suit seeks to certify a nationwide collective action that all hourly employees in all Outback Steakhouse restaurants would be permitted to join. The suit seeks an unspecified amount in back pay for the employees that join the lawsuit, an equal amount in liquidated damages, costs, expenses, and attorney's fees. The Nevada Plaintiffs also filed a companion lawsuit in Nevada state court alleging that we violated the state break time rules. We believe these lawsuits are without merit, and we are vigorously defending all allegations. However, we are unable to predict the outcome of this case.

On November 8, 2013, Holly Gehl, Chris Armenta, and Trent Broadstreet (collectively, the "California Plaintiffs"), individuals employed by our franchisee, filed a purported class action lawsuit against us, OSI and OS Restaurant Services, LLC, two of our subsidiaries, and T-Bird, one of our franchisees. The lawsuit is filed in the California Superior Court, County of Alameda. The complaint alleges, among other things, violations of the California Labor Code, failure to pay overtime, failure to provide meal and rest periods and termination compensation, and violations of California's Business and Professions Code. The complaint seeks, among other relief, class certification of the lawsuit, unspecified damages, costs and expenses, including attorney's fees, and such other relief as the Court determines to be appropriate. We do not believe the California Plaintiffs have any standing to bring claims against us or our subsidiaries as all were employed by our franchisee. We intend to request that the court dismiss us and our subsidiaries from this action. Should the court deny our request for dismissal we will vigorously defend the lawsuit. However, we are unable to predict the outcome of this case.

In addition, we are subject to legal proceedings, claims and liabilities, such as liquor liability, sexual harassment and slip and fall cases, which arise in the ordinary course of business and are generally covered by insurance if they exceed specified retention or deductible amounts. In the opinion of management, the amount of ultimate liability with respect to those actions will not have a material adverse impact on our financial position or results of operations and cash flows. We accrue for loss contingencies that are probable and reasonably estimable. Legal costs are reported in General and administrative expense in the Consolidated Statements of Operations and Comprehensive Income. We generally do not accrue for legal costs expected to be incurred with a loss contingency until those services are provided.

Item 4. Mine Safety Disclosures

Not applicable.

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BLOOMIN' BRANDS, INC.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

MARKET INFORMATION

Our common stock has been listed on the Nasdaq Global Select Market under the symbol "BLMN" since August 8, 2012. Prior to that time, there was no public market for our common stock. The following table sets forth for the periods indicated the high and low sales prices per share of our common stock as reported on Nasdaq:

	2013		2012	
	HIGH	LOW	HIGH	LOW
First Quarter	$18.99	$15.86	n/a	n/a
Second Quarter	26.08	17.41	n/a	n/a
Third quarter (1)	26.71	21.73	$16.53	$11.57
Fourth quarter	27.27	20.91	16.98	13.01

(1) The third quarter of 2012 represents the period from August 8, 2012, the date of our IPO, through September 30, 2012, the end of our third quarter.

HOLDERS

As of February 25, 2014, there were 192 holders of record of our common stock.

DIVIDENDS

We did not declare or pay any dividends on our common stock during 2012 or 2013. Our Board of Directors does not intend to pay regular dividends on our common stock. However, we expect to reevaluate our dividend policy on a regular basis and may, subject to compliance with the covenants contained in the Credit Facilities and other considerations, determine to pay dividends in the future.

Our ability to pay dividends is dependent on our ability to obtain funds from our subsidiaries. Payment of dividends by OSI to Bloomin' Brands is restricted under the Credit Facilities to dividends for the purpose of paying Bloomin' Brands' franchise and income taxes and ordinary course operating expenses; dividends for certain other limited purposes; and other dividends subject to an aggregate cap over the term of the agreement.

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SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table presents the securities authorized for issuance under our equity compensation plans at December 31, 2013 (in thousands, except exercise price):

PLAN CATEGORY	(a) NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	(b) WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	(c) NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (a)) (1)
Equity compensation plans approved by security holders	10,010	$ 9.54	3,049
Equity compensation plans not approved by security holders	—	—	—
Total	10,010	$ 9.54	3,049

(1) The shares remaining available for issuance may be issued in the form of restricted stock, restricted stock units or other stock awards.

Our outstanding equity awards were issued under our 2007 Equity Plan and our 2012 Equity Plan. Upon completion of our IPO, the 2012 Equity Plan was adopted and no further awards were or will be made under the 2007 Equity Plan. As of the first business day of each fiscal year, the aggregate number of shares that may be issued pursuant to the 2012 Equity Plan will automatically increase by a number equal to 2% of the total number of shares then issued and outstanding.

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BLOOMIN' BRANDS, INC.

STOCK PERFORMANCE GRAPH

The following graph depicts the total return to stockholders from August 8, 2012, the date our common stock became listed on the Nasdaq Global Select Market, through December 31, 2013, relative to the performance of the Standard & Poor's 500 Index and the Standard & Poor's 500 Consumer Discretionary Sector, a peer group. The graph assumes an investment of $100 in our common stock and each index on August 8, 2012 and the reinvestment of dividends paid since that date. The stock price performance shown in the graph is not necessarily indicative of future price performance.

	AUGUST 8, 2012	DECEMBER 31, 2012	DECEMBER 31, 2013
Bloomin' Brands, Inc. (BLMN)	$100.00	$126.03	$193.47
Standard & Poor's 500	100.00	102.72	135.96
Standard & Poor's Consumer Discretionary	100.00	107.53	153.58

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PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

The following table provides information regarding our purchases of common stock during the three months ended December 31, 2013:

MONTH	TOTAL NUMBER OF SHARES PURCHASED (1)	AVERAGE PRICE PAID PER SHARE	TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	MAXIMUM NUMBER OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS
October 1, 2013 through October 31, 2013	—	$—	*	*
November 1, 2013 through November 30, 2013	—	—	*	*
December 1, 2013 through December 31, 2013	2,705	24.11	*	*
Total	2,705		*	*

*These amounts are not applicable as we do not have a share repurchase program in effect.

(1) Common stock purchased during the three months ended December 31, 2013 represented shares which were withheld for tax payments due upon the vesting of employee restricted stock awards.

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Item 6. Selected Financial Data

This selected consolidated financial data should be read in conjunction with the consolidated financial statements and notes thereto, included in Item 8 of this Report, Management’s Discussion and Analysis of Financial Condition and Results of Operations, included in Item 7 of this Report and Risk Factors, included in Item 1A of this Report. The following table sets forth our selected consolidated financial data as of the dates and for the periods indicated (in thousands):

	YEARS ENDED DECEMBER 31,				
	2013	2012	2011	2010	2009
Statements of Operations and Comprehensive Income (Loss) Data:					
Revenues					
Restaurant sales	$4,089,128	$3,946,116	$3,803,252	$3,594,681	$3,573,760
Other revenues	40,102	41,679	38,012	33,606	27,896
Total revenues	4,129,230	3,987,795	3,841,264	3,628,287	3,601,656
Costs and expenses					
Cost of sales	1,333,842	1,281,002	1,226,098	1,152,028	1,184,074
Labor and other related	1,157,622	1,117,624	1,094,117	1,034,393	1,024,063
Other restaurant operating	964,279	918,522	890,004	864,183	849,696
Depreciation and amortization	164,094	155,482	153,689	156,267	186,074
General and administrative (1) (2)	268,928	326,473	291,124	252,793	252,298
Recovery of note receivable from affiliated entity (3)	—	—	(33,150)	—	—
Loss on contingent debt guarantee	—	—	—	—	