UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 29, 2006

Commission File Number 1-10275

BRINKER INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	**75-1914582**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6820 LBJ FREEWAY, DALLAS, TEXAS 75240
(Address of principal executive offices)
(Zip Code)

(972) 980-9917
(Registrant's telephone number, including area code)

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 ☒ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ☒ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 3, 2006
Common Stock, $0.10 par value	84,808,535 shares

BRINKER INTERNATIONAL, INC.

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PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

BRINKER INTERNATIONAL, INC.
Consolidated Balance Sheets
(In thousands, except share and per share amounts)

	March 29, 2006 (Unaudited)	June 29, 2005
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 53,941	$ 41,859
Accounts receivable	50,252	43,592
Inventories	42,055	48,647
Prepaid expenses and other	79,371	77,069
Deferred income taxes	9,252	21,956
Current assets of discontinued operations	—	79,842
Total current assets	234,871	312,965
Property and Equipment, at Cost:		
Land	281,767	284,885
Buildings and leasehold improvements	1,673,014	1,507,587
Furniture and equipment	729,470	697,352
Construction-in-progress	73,887	81,622
	2,758,138	2,571,446
Less accumulated depreciation and amortization	(1,008,572)	(924,980)
Net property and equipment	1,749,566	1,646,466
Other Assets:		
Goodwill	145,193	124,749
Other	44,808	71,944
Total other assets	190,001	196,693
Total assets	$ 2,174,438	$ 2,156,124
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current installments of long-term debt	$ 2,237	$ 1,805
Accounts payable	153,082	133,096
Accrued liabilities	309,416	261,924
Income taxes payable	60,462	22,739
Current liabilities of discontinued operations	—	10,400
Total current liabilities	525,197	429,964
Long-term debt, less current installments	437,147	406,505
Deferred income taxes	19,461	56,189
Other liabilities	144,400	163,184
Contingencies (Note 7)		
Shareholders' Equity:		
Common stock – 250,000,000 authorized shares; $0.10 par value; 117,499,541 shares issued and 84,867,222 shares outstanding at March 29, 2006, and 117,499,541 shares issued and 89,182,804 shares outstanding at June 29, 2005	11,750	11,750
Additional paid-in capital	392,926	369,813
Accumulated other comprehensive income	767	700

Retained earnings	1,544,072	1,421,866
	1,949,515	1,804,129
Less:		
Treasury stock, at cost (32,632,319 shares at March 29, 2006 and 28,316,737 shares at June 29, 2005)	(901,282)	(703,847)
Total shareholders' equity	1,048,233	1,100,282
Total liabilities and shareholders' equity	$ 2,174,438	$ 2,156,124

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.
Consolidated Statements of Income
(In thousands, except per share amounts)
(Unaudited)

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	March 29, 2006	March 30, 2005	March 29, 2006	March 30, 2005
Revenues	$ 1,092,790	$ 970,452	$ 3,077,769	$ 2,751,138
Operating Costs and Expenses:				
Cost of sales	307,205	275,699	869,668	778,669
Restaurant expenses	587,950	529,665	1,686,093	1,520,183
Depreciation and amortization	48,357	45,219	142,670	133,790
General and administrative	53,735	32,573	152,540	110,751
Restructure charges and other impairments	(529)	350	1,950	51,182
Total operating costs and expenses	996,718	883,506	2,852,921	2,594,575
Operating income	96,072	86,946	224,848	156,563
Interest expense	5,630	5,920	17,195	20,066
Other, net	(939)	77	(1,123)	1,612
Income before provision for income taxes	91,381	80,949	208,776	134,885
Provision for income taxes	28,250	26,046	67,833	23,486
Income from continuing operations	63,131	54,903	140,943	111,399
Income (loss) from discontinued operations, net of taxes	1,626	241	(1,555)	(943)
Net income	$ 64,757	$ 55,144	$ 139,388	$ 110,456
Basic net income per share:				
Income from continuing operations	$ 0.74	$ 0.62	$ 1.63	$ 1.26
Income (loss) from discontinued operations	$ 0.02	$ 0.01	$ (0.02)	$ (0.01)
Net income per share	$ 0.76	$ 0.63	$ 1.61	$ 1.25
Diluted net income per share:				
Income from continuing operations	$ 0.73	$ 0.60	$ 1.60	$ 1.19
Income (loss) from discontinued operations	$ 0.02	$ 0.00	$ (0.01)	$ (0.01)
Net income per share	$ 0.75	$ 0.60	$ 1.59	$ 1.18
Basic weighted average shares outstanding	85,245	88,109	86,332	88,458
Diluted weighted average shares outstanding	86,788	91,769	87,852	95,621

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Thirty-Nine Week Periods Ended	
	March 29, 2006	March 30, 2005

Cash Flows from Operating Activities:		
Net income	$ 139,388	$ 110,456
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Depreciation and amortization	142,670	133,790
Restructure charges and other impairments	1,950	51,182
Stock-based compensation	25,872	1,434
Deferred income taxes	(22,385)	(3,696)
Gain on sale of assets	(10,563)	(6,314)
Amortization of deferred costs	915	4,000
Loss from discontinued operations, net of taxes	1,555	943
Gain on extinguishment of debt	—	(1,750)
Changes in assets and liabilities, excluding effects of dispositions:		
Receivables	(6,660)	768
Inventories	6,924	(9,824)
Prepaid expenses and other	1,702	(685)
Other assets	20,287	(2,592)
Current income taxes	35,689	(13,790)
Accounts payable	19,986	19,488
Accrued liabilities	47,187	19,142
Other liabilities	(13,635)	14,775
Net cash provided by operating activities of continuing operations	390,882	317,327
Cash Flows from Investing Activities:		
Payments for property and equipment	(253,559)	(237,138)
Proceeds from sale of assets	29,962	38,928
Payments for purchases of restaurants	(23,095)	—
Proceeds from disposition of equity method investee	1,101	—
Proceeds from sale of short-term investments	—	179,325
Net cash used in investing activities of continuing operations	(245,591)	(18,885)
Cash Flows from Financing Activities:		
Purchases of treasury stock	(252,454)	(162,893)
Proceeds from issuances of treasury stock	51,113	54,946
Payment for dividends	(17,058)	—
Net borrowings on credit facilities	16,450	92,700
Excess tax benefits from stock-based compensation	2,034	5,150
Payments on long-term debt	(1,181)	(286,868)
Net cash used in financing activities of continuing operations	(201,096)	(296,965)
Cash Flows from Discontinued Operations (Revised – Note 1):		
Net cash provided by operating activities of discontinued operations	5,042	6,570
Net cash provided by (used in) investing activities of discontinued operations	62,845	(6,914)
Net cash provided by (used in) discontinued operations	67,887	(344)
Net change in cash and cash equivalents	12,082	1,133
Cash and cash equivalents at beginning of period	41,859	47,079
Cash and cash equivalents at end of period	$ 53,941	$ 48,212

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.
Notes to Consolidated Financial Statements
(Unaudited)

1. BASIS OF PRESENTATION

The consolidated financial statements of Brinker International, Inc. and its wholly-owned subsidiaries (collectively, the "Company") as of March 29, 2006 and June 29, 2005 and for the thirteen week and thirty-nine week periods ended March 29, 2006 and March 30, 2005, have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The Company owns, operates, or franchises various restaurant brands under the names of Chili's Grill & Bar ("Chili's"), Romano's Macaroni Grill ("Macaroni Grill"), Maggiano's Little Italy ("Maggiano's"), and On The Border Mexican Grill & Cantina ("On The Border"). In September 2005, the Company entered into an agreement to sell Corner Bakery Cafe ("Corner Bakery"). The sale of the brand was completed in February 2006. As a result, Corner Bakery is presented as discontinued operations in the accompanying consolidated financial statements.

The information furnished herein reflects all adjustments (consisting only of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly state the interim operating results for the respective periods. However, these operating results are not necessarily indicative of the results expected for the full fiscal year. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to SEC rules and regulations. The notes to the consolidated financial statements (unaudited) should be read in conjunction with the notes to the consolidated financial statements contained in the June 29, 2005 Form 10-K. Management believes that the disclosures are sufficient for interim financial reporting purposes.

Certain prior year amounts in the accompanying consolidated financial statements have been reclassified to conform with fiscal 2006 classifications. The Company has also revised its statements of cash flows for the thirty-nine week periods ended March 29, 2006 and March 30, 2005 to separately disclose the operating and investing cash flows attributable to discontinued operations, which in prior periods were reported on a combined basis as a single amount. These changes have no effect on the Company's net income or financial position as previously reported.

2. STOCK-BASED COMPENSATION

Prior to fiscal 2006, the Company accounted for its stock-based compensation under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations ("APB 25"), and adopted the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." Under APB 25, no stock-based compensation cost was reflected in net income for grants of stock options prior to fiscal 2006 because the Company grants stock options with an exercise price equal to the market value of the stock on the date of grant.

Effective June 30, 2005, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised 2004), "Share-Based Payment," ("SFAS 123R"), which requires the measurement and recognition of compensation cost at fair value for all share-based payments, including stock options. Stock-based compensation for the first three quarters of fiscal 2006 includes compensation expense, recognized over the applicable vesting periods, for new share-based awards and for share-based awards granted prior to, but not yet vested, as of June 29, 2005. Stock-based compensation totaled approximately $6.7 million and $191,000 for the third quarter of fiscal 2006 and 2005, respectively, and $25.9 million and $1.4 million for year-to-date fiscal 2006 and 2005, respectively. The total income tax benefit related to stock-based compensation was approximately $1.6 million and $67,000 during the third quarter of fiscal 2006 and 2005, respectively, and $6.0 million and $502,000 for year-to-date fiscal 2006 and 2005, respectively.

Under APB 25, pro-forma expense for stock options was calculated using a graded-vesting schedule over the applicable vesting period, which generally ranged from 2 to 4 years. Upon adoption of SFAS 123R, the Company records compensation expense using a graded-vesting schedule over the applicable vesting period, or to the date on which retirement eligibility is achieved, if shorter (non-substantive vesting period approach). Had the Company used the fair value based accounting method for stock-based compensation prescribed by SFAS No. 123, the Company's net income and earnings per share for the third quarter and year-to-date of fiscal 2005 would have been reduced to the pro-forma amounts illustrated as follows (in thousands, except per share amounts):

	Thirteen Week Period Ended March 30, 2005	Thirty-Nine Week Period Ended March 30, 2005
Net income - as reported	$ 55,144	$ 110,456
Add: Reported stock-based compensation expense, net of taxes	124	932
Deduct: Fair value based compensation expense, net of taxes (1)	(4,620)	(14,450)
Net income – pro-forma (1)	$ 50,648	$ 96,938
Earnings per share:		
Basic – as reported	$ 0.63	$ 1.25
Basic – pro-forma (1)	$ 0.57	$ 1.10
Diluted – as reported	$ 0.60	$ 1.18
Diluted – pro-forma (1)	$ 0.56	$ 1.05

(1) If pro-forma expense had been derived using the non-substantive vesting period approach, total stock-based compensation (net of taxes) for the third quarter and year-to-date of fiscal 2005 would have been $3.7 million and $14.0 million, respectively. Pro-forma net income for the third quarter and year-to-date of fiscal 2005 would have been $51.6 million and $97.4 million, respectively. Additionally, basic pro-forma earnings per share for the third quarter and year-to-date of fiscal 2005 would have been $0.59 and $1.10, respectively. Diluted pro-forma earnings per share for the third quarter and year-to-date of fiscal 2005 would have been $0.57 and $1.05, respectively.

(a) Stock Options

Stock options generally vest over a period of 1 to 4 years and have contractual terms to exercise of 8 to 10 years. Transactions during the first three quarters of fiscal 2006 were as follows (in thousands, except option prices):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Options outstanding at June 29, 2005	9,177	$ 29.93		
Granted	503	38.61		
Exercised	(1,752)	27.79		
Forfeited	(665)	32.98		
Options outstanding at March 29, 2006	7,263	$ 30.77	6.93	$ 81,291

Options exercisable at March 29, 2006	3,521	$ 27.18	5.63	$ 52,063

The intrinsic value of options exercised totaled approximately $14.4 million and $19.0 million during the third quarter of fiscal 2006 and 2005, respectively, and $22.3 million and $33.4 million during the first three quarters of fiscal 2006 and 2005, respectively. The weighted average fair values of stock option grants were $11.11 and $12.47 for the third quarter of fiscal 2006 and 2005, respectively, and $11.47 for year-to-date fiscal 2006 and 2005.

The fair value of stock options is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	March 29, 2006	March 30, 2005	March 29, 2006	March 30, 2005
Expected volatility	27.7%	31.3%	28.8%	31.3%
Risk-free interest rate	4.2%	3.7%	4.2%	3.4%
Expected lives	5 years	5 years	5 years	5 years
Dividend yield	1.1%	0.0%	1.1%	0.0%

Expected volatility and the expected life of stock options are based on historical experience. The risk-free rate is based on the yield of a five-year Treasury Note.

(b) Restricted Share Awards

In October 2005, the shareholders of the Company approved the Performance Share Plan and the Restricted Stock Unit Plan (the “Plans”). The restricted share awards issued under the Plans represent a right to receive a certain number of shares of common stock upon satisfaction of performance goals or other specified metrics at the end of a three-year cycle. Payouts made in common stock will be fully vested upon issuance. The fair value of performance shares is determined on the date of grant based on a Monte Carlo simulation model and the fair value of restricted stock units is determined based on the Company’s closing stock price on the date of grant. Expense related to performance shares and restricted stock units is recognized ratably over the three-year vesting period, or to the date on which retirement eligibility is achieved, if shorter.

Other restricted share awards include restricted stock and restricted stock units issued under the Company’s stock option and incentive plans. Restricted share awards issued under the Company’s long-term incentive plans vest one-third per year beginning on the first or third anniversary of the date of grant, and restricted share awards issued to non-employee directors vest in full on the fourth anniversary of the date of grant. The fair value of restricted share awards is based on the Company’s closing stock price on the date of grant.

Transactions during the first three quarters of fiscal 2006 were as follows (in thousands, except fair values):

	Number of Restricted Share Awards	Weighted Average Fair Value Per Award
Restricted share awards outstanding at June 29, 2005	137	$ 34.60
Granted	1,003	35.09
Vested	(77)	34.34
Forfeited	(95)	35.46
Restricted share awards outstanding at March 29, 2006	968	$ 35.05

At March 29, 2006, unrecognized compensation expense related to restricted share awards totaled approximately $23.2 million and will be recognized over a weighted average period of 3.1 years.

3. EARNINGS PER SHARE

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the calculation of diluted net income per share, the basic weighted average number of shares is increased by the dilutive effect of stock options and restricted share awards determined using the treasury stock method and convertible debt. The Company had approximately 563,000 and 73,000 stock options outstanding at March 29, 2006 and March 30, 2005, respectively, that were not included in the dilutive earnings per share calculation because the effect would have been antidilutive. The components of basic and diluted earnings per share are as follows:

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	March 29, 2006	March 30, 2005	March 29, 2006	March 30, 2005
Income from continuing operations (a)	$ 63,131	$ 54,903	$ 140,943	$ 111,399
Adjustment for interest on convertible debt, net of taxes	—	325	—	2,650
Income from continuing operations, as adjusted (b)	$ 63,131	$ 55,228	$ 140,943	$ 114,049
Basic weighted average shares outstanding (c)	85,245	88,109	86,332	88,458

Dilutive effect of stock options	1,543	1,445	1,520	1,253
Dilutive effect of convertible debt	—	2,215	—	5,910
Diluted weighted average shares outstanding (d)	86,788	91,769	87,852	95,621
Basic earnings per share from continuing operations (a)/(c)	$ 0.74	$ 0.62	$ 1.63	$ 1.26
Diluted earnings per share from continuing operations (b)/(d)	$ 0.73	$ 0.60	$ 1.60	$ 1.19

4. DISPOSITION OF CORNER BAKERY

In September 2005, the Company entered into an agreement to sell Corner Bakery. The decision to sell the brand was a result of the Company's continued focus on maximizing returns on investment. The sale of the brand was completed in February 2006. The Company has reported the results of operations of Corner Bakery as discontinued operations which consist of the following:

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	March 29, 2006	March 30, 2005	March 29, 2006	March 30, 2005
Revenues	$ 16,992	$ 39,077	$ 108,932	$ 119,662
Income (loss) before income tax (expense) benefit from discontinued operations	$ 2,208	$ 384	$ 13,061	$ (1,506)
Income tax (expense) benefit	(830)	(143)	(4,911)	563
Net income (loss) from discontinued operations	1,378	241	8,150	(943)
Gain (loss) on sale of Corner Bakery, net of taxes (1)	248	—	(9,705)	—
Income (loss) from discontinued operations	$ 1,626	$ 241	$ (1,555)	$ (943)

(1) The sale of Corner Bakery resulted in a taxable gain due to $11.0 million of goodwill not being deductible for tax purposes. The $9.7 million loss includes tax expense totaling $784,000.

5. SHAREHOLDERS' EQUITY

The Board of Directors authorized increases in the stock repurchase plan of $150.0 million in August 2005 and February 2006, bringing the total to $1,310.0 million. Pursuant to the Company's stock repurchase plan, the Company repurchased approximately 6.4 million shares of its common stock for $252.5 million during the first three quarters of fiscal 2006. As of March 29, 2006, approximately $172.7 million was available under the Company's share repurchase authorizations. The Company's stock repurchase plan will be used to minimize the dilutive impact of stock options and other share-based awards. The Company will consider additional share repurchases based on several factors, including the Company's cash position, share price, operational liquidity, and planned investment and financing needs. The repurchased common stock is reflected as a reduction of shareholders' equity.

6. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest and income taxes for the first three quarters of fiscal 2006 and 2005 is as follows (in thousands):

	March 29, 2006	March 30, 2005
Income taxes, net of refunds	$ 58,194	$ 35,262
Interest, net of amounts capitalized	12,516	12,519

Non-cash investing and financing activities for the first three quarters of fiscal 2006 and 2005 are as follows (in thousands):

	March 29, 2006	March 30, 2005
Retirement of fully depreciated assets	$ 43,977	$ 13,594
Restricted share awards issued, net of forfeitures	9,937	1,408
Decrease in fair value of interest rate swaps	8,400	345
Capitalized straight-line rent	3,372	4,010
Conversion of debt into common stock	—	10,796

In the second quarter of fiscal 2006, the Company purchased certain assets and assumed certain liabilities in connection with the acquisition of restaurants. The fair values of the assets and liabilities recorded at the date of acquisition are as follows (in thousands):

Property and equipment	$ 14,617
Goodwill	20,958
Other assets	4,732
Capital lease obligations	(16,123)
Other liabilities	(1,089)
Net cash paid	$ 23,095

The assets acquired and liabilities assumed are recorded at fair values as determined by management based upon information available. The Company will finalize the allocation between goodwill and reacquired franchise rights (included in other assets) once information sufficient to complete the allocation is obtained.

7. CONTINGENCIES

As of March 29, 2006, the Company guaranteed lease payments totaling $81.8 million as a result of the sale of certain brands and the sale of restaurants to franchise partners. This amount represents the maximum potential liability of future payments under the guarantees. These leases have been assigned to the buyers and expire at the end of the respective lease terms, which range from fiscal 2006 through fiscal 2017. The Company remains secondarily liable for the leases; however, no liability has been recorded as the likelihood of the buyers defaulting on the leases is considered negligible.

The Company is engaged in various legal proceedings and has certain unresolved claims pending. The ultimate liability, if any, for the aggregate amounts claimed cannot be determined at this time. However, management of the Company, based upon consultation with legal counsel, is of the opinion that there are no matters pending or threatened which are expected to have a material adverse effect, individually or in the aggregate, on the Company's consolidated financial condition or results of operations.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth selected operating data as a percentage of total revenues for the periods indicated. All information is derived from the accompanying consolidated statements of income.

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	March 29, 2006	March 30, 2005	March 29, 2006	March 30, 2005
Revenues	100.0%	100.0%	100.0%	100.0%
Operating Costs and Expenses:				
Cost of sales	28.1%	28.4%	28.3%	28.3%
Restaurant expenses	53.8%	54.6%	54.8%	55.2%
Depreciation and amortization	4.4%	4.7%	4.6%	4.9%
General and administrative	4.9%	3.4%	4.9%	4.0%
Restructure charges and other impairments	0.0%	0.0%	0.1%	1.9%
Total operating costs and expenses	91.2%	91.1%	92.7%	94.3%
Operating income	8.8%	8.9%	7.3%	5.7%
Interest expense	0.5%	0.6%	0.5%	0.7%
Other, net	(0.1%)	0.0%	0.0%	0.1%
Income before provision for income taxes	8.4%	8.3%	6.8%	4.9%
Provision for income taxes	2.6%	2.7%	2.2%	0.9%
Income from continuing operations	5.8%	5.6%	4.6%	4.0%
Income (loss) from discontinued operations, net of taxes	0.1%	0.0%	(0.1%)	0.0%
Net income	5.9%	5.6%	4.5%	4.0%

The following table details the number of restaurant openings during the third quarter and year-to-date, total restaurants open at the end of the third quarter, and total projected openings in fiscal 2006.

	Third Quarter Openings		Year-to-Date Openings		Total Open at End Of Third Quarter		Projected Openings
	Fiscal 2006	Fiscal 2005	Fiscal 2006	Fiscal 2005	Fiscal 2006	Fiscal 2005	Fiscal 2006
Chili's:							
Company-owned	25	20	70	57	884	793	97-100
Franchised	8	10	26	21	277	258	25-30
Total	33	30	96	78	1,161	1,051	122-130
Macaroni Grill:							
Company-owned	3	6	7	14	226	219	6-7
Franchised	—	—	1	4	14	13	4-5
Total	3	6	8	18	240	232	10-12
Maggiano's	—	1	4	5	37	33	4-5

On The Border:							
Company-owned	1	2	7	4	121	115	6-8
Franchised	—	—	1	—	21	18	1-2
Total	1	2	8	4	142	133	7-10
Corner Bakery:							
Company-owned	2	1	6	2	—	84	—
Franchised	—	—	—	—	—	3	—
Total	2	1	6	2	—	87	—
Grand Total	39	40	122	107	1,580	1,536	143-157

At March 29, 2006, the Company owned the land and buildings for 311 of the 1,268 company-owned restaurants. The net book value of the land and buildings associated with these restaurants totaled $268.8 million and $271.4 million, respectively.

OVERVIEW

At March 29, 2006, the Company owned, operated, or franchised 1,580 restaurants. The Company intends to continue the expansion of its restaurant brands by opening units in strategically desirable markets. The Company considers the restaurant site selection process critical to its long-term success and devotes significant effort to the investigation of new locations utilizing a variety of sophisticated analytical techniques. The Company intends to concentrate on the development of certain identified markets to achieve penetration levels deemed desirable in order to improve competitive position, marketing potential and profitability. Expansion efforts will be focused not only on major metropolitan areas, but also on smaller market areas and non-traditional locations (such as airports, kiosks and food courts) that can adequately support any of the Company's restaurant brands. The specific rate at which the Company is able to open new restaurants is determined by its success in locating satisfactory sites, negotiating acceptable lease or purchase terms, securing appropriate local governmental permits and approvals, and by its capacity to supervise construction and recruit and train management personnel.

The restaurant industry is a highly competitive business, which is sensitive to changes in economic conditions, trends in lifestyles and fluctuating costs. Operating margins for restaurants are susceptible to fluctuations in prices of commodities, which include among other things, beef, chicken, seafood, dairy, cheese, produce and other necessities to operate a restaurant such as natural gas or other energy supplies. Additionally, the restaurant industry is characterized by a high initial capital investment, coupled with high labor costs.

Revenues for the fourth quarter of fiscal 2006 are estimated to increase by 9% to 10% compared to the same quarter in fiscal 2005. Cost of sales, as a percent of revenues, is estimated to be 0.2% lower than last year primarily due to favorable commodity costs. Excluding refranchising gains and the 0.2% impact of incremental stock-based compensation, restaurant expenses are estimated to be 0.8% to 1.0% higher than last year primarily driven by higher advertising and utility costs, partially offset by improved labor costs. General and administrative expenses, excluding the 0.4% impact of incremental stock-based compensation, are expected to be 0.3% higher due to higher performance-based compensation that was not paid in the prior year. Excluding refranchising gains and incremental stock-based compensation, the effective tax rate from continuing operations for the fourth quarter is estimated to be 32.0%.

REVENUES

Revenues for the third quarter of fiscal 2006 increased to $1,092.8 million, 12.6% over the $970.5 million generated for the same quarter of fiscal 2005. Revenues for the thirty-nine week period ended March 29, 2006 rose 11.9% to $3,077.8 million from the $2,751.1 million generated for the same period of fiscal 2005. The increases were primarily attributable to a net increase of 108 company-owned restaurants (excluding Corner Bakery) since March 30, 2005 and an increase in comparable store sales. The Company increased its capacity for the third quarter and year-to-date of fiscal 2006 by 7.4% and 7.2%, respectively, compared to the respective prior year periods. Comparable store sales increased 2.7% and 2.8% for the third quarter and year-to-date, respectively, from the same periods of fiscal 2005. Menu prices in the aggregate increased 2.9% for year-to-date fiscal 2006 as compared to fiscal 2005.

COSTS AND EXPENSES

Cost of sales, as a percent of revenues, decreased 0.3% for the third quarter of fiscal 2006 as compared to the same period of fiscal 2005. The decrease was due to a 0.9% increase in menu prices and a 0.4% favorable product mix shift for poultry, partially offset by a 0.8% unfavorable product mix shift for meat and seafood and a 0.2% increase in commodity prices for produce. Cost of sales, as a percent of revenues, remained flat for year-to-date fiscal 2006 as compared to the same period of fiscal 2005. Unfavorable product mix shifts and increases in commodity prices for meat and seafood of 0.9% and 0.1%, respectively, were offset by a 0.9% increase in menu prices and a 0.1% favorable product mix shift for poultry.

Restaurant expenses, as a percent of revenues, decreased 0.8% and 0.4% for the third quarter and year-to-date of fiscal 2006, respectively, as compared to the same periods of fiscal 2005. The decreases were primarily due to a net refranchising gain of $7.0 million recorded in the third quarter of fiscal 2006, increases in sales leverage and productivity, and a reduction in repair and maintenance expenses. The decreases were partially offset by increases in utility costs, stock-based compensation and a $2.0 million refranchising gain recorded in the third quarter of fiscal 2005. The decrease in year-to-date fiscal 2006 was also attributable to the $17.3 million FICA tax assessment recorded in the second quarter of fiscal 2005, partially offset by refranchising and other gains totaling $9.1 million recorded year-to-date fiscal 2005.

Depreciation and amortization increased $3.1 million and $8.9 million for the third quarter and year-to-date of fiscal 2006, respectively, as compared to the same periods of fiscal 2005. The increases in depreciation expense were due to new unit construction and ongoing remodel costs, partially offset by a decrease in depreciation related to store closures and dispositions and a declining depreciable asset base for older units.

General and administrative expenses increased $21.2 million and $41.8 million for the third quarter and year-to-date fiscal 2006, respectively, as compared to the same periods of fiscal 2005. The increases were primarily due to an increase in performance-based compensation that was not paid in the prior year and stock-based compensation.

Restructure charges and other impairments recorded during the third quarter and year-to-date of fiscal 2006 consist of a $1.1 million gain related to the final disposition of the Company’s interest in Rockfish Seafood Grill (“Rockfish”), offset by net charges associated with closed restaurants and asset impairments. Restructure charges and other impairments recorded year-to-date fiscal 2005 include a $36.0 million charge related to the disposition of Big Bowl Asian Kitchen (“Big Bowl”), a $16.9 million charge to fully impair the investment and notes receivable associated with Rockfish, a $1.0 million charge for an existing lease obligation associated with a sub-lease, and a $3.1 million gain associated with closed restaurants.

Interest expense decreased $290,000 and $2.9 million for the third quarter and year-to-date of fiscal 2006, respectively, as compared to the same periods of fiscal 2005. The decreases were primarily due to the redemption of the convertible senior debentures and the payment of the remaining principal balance on the senior notes in fiscal 2005, partially offset by increased average borrowings and interest rates on the Company’s lines-of-credit.

INCOME TAXES

The Company’s effective income tax rate related to continuing operations decreased to 30.9% from 32.2% for the third quarter of fiscal 2006 and increased to 32.5% from 17.4% for year-to-date fiscal 2006 as compared to the same periods of fiscal 2005. The decrease during the third quarter was due to a $1.6 million tax benefit associated with the final disposition of the Company’s interest in Rockfish, partially offset by stock-based compensation related to incentive stock options that are deductible when exercised. The year-to-date increase was primarily attributable to the income tax benefit of $16.9 million, consisting primarily of federal income tax credits related to the additional FICA taxes paid as a result of the IRS resolution in the second quarter of fiscal 2005, the disposition of Big Bowl in the first quarter of fiscal 2005, which allowed the Company to take tax deductions for goodwill impairment charges totaling $48.6 million, and stock-based compensation related to incentive stock options.

LIQUIDITY AND CAPITAL RESOURCES

The working capital deficit increased to $290.3 million at March 29, 2006 from $117.0 million at June 29, 2005, primarily due to purchases of treasury stock. Net cash provided by operating activities of continuing operations increased to $390.9 million for the first three quarters of fiscal 2006 from $317.3 million during the same period in fiscal 2005 due to increased profitability and the timing of operational receipts and payments. The Company believes that its various sources of capital, including availability under existing credit facilities, ability to raise additional financing, and cash flow from operating activities of continuing operations, are adequate to finance operations as well as the repayment of current debt obligations.

Capital expenditures consist of purchases of land for future restaurant sites, new restaurants under construction, purchases of new and replacement restaurant furniture and equipment, and ongoing remodeling programs. Capital expenditures were $253.6 million for the first three quarters of fiscal 2006 compared to $237.1 million for the same period of fiscal 2005. The Company estimates that its capital expenditures during the fourth quarter of fiscal 2006 will approximate $100.0 million and will be funded entirely from operations and existing credit facilities.

The Company completed the sale of Corner Bakery in February 2006 for gross cash proceeds of $72.5 million. Additionally, the Company sold six Chili’s restaurants and two On The Border restaurants to franchise partners for cash proceeds of $19.0 million during the third quarter of fiscal 2006.

In the second quarter of fiscal 2006, the Company acquired sixteen restaurants from its franchise partners for approximately $23.1 million.

In February 2006, the Company announced the declaration of a dividend to common stock shareholders in the amount of $0.10 per share. The dividend was paid in March 2006, bringing total dividends paid during the first three quarters of fiscal 2006 to $17.1 million.

The Board of Directors authorized increases in the stock repurchase plan of $150.0 million in August 2005 and February 2006, bringing the total to $1,310.0 million. Pursuant to the Company’s stock repurchase plan, the Company repurchased approximately 6.4 million shares of its common stock for $252.5 million during the first three quarters of fiscal 2006. As of March 29, 2006, approximately $172.7 million was available under the Company’s share repurchase authorizations. The Company’s stock repurchase plan will be used to minimize the dilutive impact of stock options and other share-based awards. The Company will consider additional share repurchases based on several factors, including the Company’s cash position, share price, operational liquidity, and planned investment and financing needs. The repurchased common stock is reflected as a reduction of shareholders’ equity.

The Company is not aware of any other event or trend that would potentially affect its liquidity. In the event such a trend develops, the Company believes that there are sufficient funds available under its credit facilities and from its internal cash generating capabilities to adequately manage the expansion of its business.

RECENT ACCOUNTING PRONOUNCEMENTS

Effective December 29, 2005, the Company adopted Financial Accounting Standards Board Staff Position 13-1, “Accounting for Rental Costs Incurred During a Construction Period” (“FSP 13-1”), which requires that rental costs associated with ground or building operating leases that are incurred during a construction period be recognized as rental expense. Previously, the Company capitalized these costs. Rent expense for the third quarter of fiscal 2006 increased $1.4 million ($887,000 after taxes) and is estimated to increase $2.0 to $2.5 million ($1.2 to $1.6 million after taxes) for the fourth quarter of fiscal 2006 as a result of FSP 13-1.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the quantitative and qualitative market risks of the Company since the prior reporting period.

Item 4. CONTROLS AND PROCEDURES

An evaluation was carried out under the supervision and with the participation of the Company’s management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures [as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)], as of the end of the period covered by this report. Based upon the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective by making known to them in a timely manner material information relating to the Company required to be disclosed in the Company’s reports filed or submitted under the Exchange Act.

There were no changes in the Company’s internal control over financial reporting or in other factors that could significantly affect this control during the quarter ended March 29, 2006, that has materially affected or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

The Company wishes to caution readers that the following important factors, among others, could cause the actual results of the Company to differ materially from those indicated by forward-looking statements made in this report and from time to time in news releases, reports, proxy statements, registration statements and other written or electronic communications, as well as verbal forward-looking statements made from time to time by representatives of the Company. Such forward-looking statements involve risks and uncertainties that may cause the Company’s or the restaurant industry’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors that might cause actual events or results to differ materially from those indicated by these forward-looking statements may include matters such as future economic performance, restaurant openings, operating margins, the availability of acceptable real estate locations for new restaurants, the sufficiency of the Company’s cash balances and cash generated from operating and financing activities for the Company’s future liquidity and capital resource needs, and other matters, and are generally accompanied by words such as “believes,” “anticipates,” “estimates,” “predicts,” “expects” and similar expressions that convey the uncertainty of future events or outcomes. An expanded discussion of some of these risk factors follows.

Competition may adversely affect the Company’s operations and financial results.

The restaurant business is highly competitive with respect to price, service, restaurant location, nutritional and dietary trends and food quality, and is often affected by changes in consumer tastes and behaviors, economic conditions, population and traffic patterns. The Company competes within each market with locally-owned restaurants as well as national and regional restaurant chains, some of which operate more restaurants and have greater financial resources and longer operating histories than the Company. There is active competition for management personnel and for attractive commercial real estate sites suitable for restaurants. In addition, factors such as inflation, increased food, labor and benefits costs, and difficulty in attracting hourly employees may adversely affect the restaurant industry in general and the Company’s restaurants in particular.

The Company’s sales volumes generally decrease in winter months.

The Company’s sales volumes fluctuate seasonally, and are generally higher in the summer months and lower in the winter months, which may cause seasonal fluctuations in the Company’s operating results.

Changes in governmental regulation may adversely affect the Company’s ability to open new restaurants and the Company’s existing and future operations.

Each of the Company’s restaurants is subject to licensing and regulation by alcoholic beverage control, health, sanitation, safety and fire agencies in the state, county and/or municipality in which the restaurant is located. The Company generally has not encountered any material difficulties or failures in obtaining the required licenses or approvals that could delay or prevent the opening of a new restaurant or impact the continued operations of an existing restaurant, and although the Company does not, at this time, anticipate any occurring in the future, there can be no assurance that the Company will not experience material difficulties or failures that could delay the opening of restaurants in the future or impact the continued operations of existing restaurants.

The Company is subject to federal and state environmental regulations, and although these have not had a material negative effect on the Company’s operations, the Company cannot ensure that there will not be a material negative effect in the future. More stringent and varied requirements of local and state governmental bodies with respect to zoning, land use and environmental factors could delay or prevent development of new restaurants in particular locations.

The Company is subject to the Fair Labor Standards Act, which governs such matters as minimum wages, overtime and other working conditions, along with the Americans With Disabilities Act, various family leave mandates and a variety of other laws enacted, or rules and regulations promulgated, by federal, state and local governmental authorities that govern these and other employment matters. The Company expects increases in payroll expenses as a result of federal, state and local mandated increases in the minimum wage, and although such increases are not expected to be material, the Company cannot assure that there will not be material increases in the future. In addition, the Company’s vendors may be affected by higher minimum wage standards, which may increase the price of goods and services supplied to the Company.

Inflation may increase the Company’s operating expenses.

The Company has not experienced a significant overall impact from inflation. As operating expenses increase, the Company, to the extent permitted by competition, recovers increased costs by increasing menu prices, by reviewing, then implementing, alternative products or processes, or by implementing other cost-reduction procedures. There can be no assurance, however, that the Company will be able to continue to recover increases in operating expenses due to inflation in this manner.

Increased energy costs may adversely affect the Company’s profitability.

The Company’s success depends in part on its ability to absorb increases in utility costs. Various regions of the United States in which the Company operates multiple restaurants have experienced significant and temporary increases in utility prices. If these increases should recur, they will have an adverse effect on the Company’s profitability.

Successful mergers, acquisitions, divestitures and other strategic transactions are important to the future growth and profitability of the Company.

The Company intends to evaluate potential mergers, acquisitions, joint venture investments, and divestitures as part of its strategic planning initiative. These transactions involve various inherent risks, including accurately assessing the value, future growth potential, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates; the Company's ability to achieve projected economic and operating synergies; unanticipated changes in business and economic conditions affecting an acquired business; and the ability of the Company to complete divestitures on acceptable terms and at or near the prices estimated as attainable by the Company.

If the Company is unable to meet its growth plan, the Company's profitability in the future may be adversely affected.

The Company's ability to meet its growth plan is dependent upon, among other things, its ability to identify available, suitable and economically viable locations for new restaurants, obtain all required governmental permits (including zoning approvals and liquor licenses) on a timely basis, hire all necessary contractors and subcontractors, and meet construction schedules. The costs related to restaurant and brand development include purchases and leases of land, buildings and equipment and facility and equipment maintenance, repair and replacement. The labor and materials costs involved vary geographically and are subject to general price increases. As a result, future capital expenditure costs of restaurant development may increase, reducing profitability. There can be no assurance that the Company will be able to expand its capacity in accordance with its growth objectives or that the new restaurants and brands opened or acquired will be profitable.

Unfavorable publicity relating to one or more of the Company's restaurants in a particular brand may taint public perception of the brand.

Multi-unit restaurant businesses can be adversely affected by publicity resulting from poor food quality, illness or other health concerns or operating issues stemming from one or a limited number of restaurants. In particular, since the Company depends heavily on the "Chili's" brand for a majority of its revenues, unfavorable publicity relating to one or more Chili's restaurants could have a material adverse effect on the Chili's brand, and consequently on the Company's business, financial condition, and results of operations.

Identification of material weakness in internal control may adversely affect the Company's financial results.

The Company is subject to the ongoing internal control provisions of Section 404 of the Sarbanes-Oxley Act of 2002. Those provisions provide for the identification of material weaknesses in internal control which could indicate a lack of adequate controls to generate accurate financial statements. Though the Company routinely assesses its internal controls, there can be no assurance that the Company will be able to timely remediate material weaknesses, if any, that may be identified in future periods, or maintain all of the controls necessary for continued compliance. There likewise can be no assurance that the Company will be able to retain sufficient skilled finance and accounting personnel, especially in light of the increased demand for such personnel among publicly traded companies.

Other risk factors may adversely affect the Company's financial performance.

Other risk factors that could cause the Company's actual results to differ materially from those indicated in the forward-looking statements include, without limitation, changes in economic conditions, consumer perceptions of food safety, changes in consumer tastes and behaviors, governmental monetary policies, changes in demographic trends, availability of employees, terrorist acts, and weather and other acts of God.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Information regarding legal proceedings is incorporated by reference from Note 7 to the Company's consolidated financial statements set forth in Part I of this report.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Shares repurchased during the third quarter of fiscal 2006 are as follows (in thousands, except share and per share amounts):

	Total Number of Shares Purchased (a)	Average Price Paid per Share	Maximum Dollar Value that May Yet be Purchased Under the Program
December 29, 2005 through February 1, 2006	581,100	$ 39.20	$ 85,262
February 2, 2006 through March 1, 2006	1,414,700	$ 41.27	$ 176,825
March 2, 2006 through March 29, 2006	100,000	$ 41.63	$ 172,659
	2,095,800	$ 40.72	

(a) All of the shares purchased during the third quarter of fiscal 2006 were purchased as part of the publicly announced programs described in part I of this report.

Item 6. EXHIBITS

10(a)	The Company's Performance Share Plan Description.
31(a)	Certification by Douglas H. Brooks, Chairman of the Board, President and Chief Executive Officer of the Registrant, pursuant to 17 CFR 240.13a – 14(a) or 17 CFR 240.15d – 14(a).
31(b)	Certification by Charles M. Sonsteby, Executive Vice President and Chief Financial Officer of the Registrant, pursuant to 17 CFR 240.13a – 14(a) or 17 CFR 240.15d – 14(a).
32(a)	Certification by Douglas H. Brooks, Chairman of the Board, President and Chief Executive Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(b)	Certification by Charles M. Sonsteby, Executive Vice President and Chief Financial Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

BRINKER INTERNATIONAL, INC.

Date: May 8, 2006

By: /s/ Douglas H. Brooks
Douglas H. Brooks,
Chairman of the Board,
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 8, 2006

By: /s/ Charles M. Sonsteby
Charles M. Sonsteby,
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Exhibit 10(a)

BRINKER INTERNATIONAL
PERFORMANCE SHARE PLAN DESCRIPTION

Purpose

Pursuant to Section 3 of The Brinker International, Inc. Stock Option and Incentive Plan ("SOIP"), as approved by the shareholders of the Company on October 20, 2005, the Committee may grant stock awards subject to such conditions, restrictions and contingencies as the Committee may determine. The Brinker International Performance Share Plan (the "Plan") is adopted pursuant to the Committee's authority under the SOIP to provide greater incentive to officers and key employees of Brinker International, Inc. ("Brinker" or the "Company") or any of its affiliates to achieve the highest level of individual performance and to meet or exceed specified goals which will contribute to the success of the Company.

Definitions

For purposes of the Plan, the following definitions will control:

"Affiliate" is defined as a subsidiary of Brinker or any entity that is designated by the Committee as a participating employer under the Plan, provided that Brinker directly or indirectly owns at least 20% of the combined voting power of the common stock of such entity.

"Change in Control" is defined as:

(i) a sale, transfer or other conveyance of all or substantially all of the assets of the Company on a consolidated basis; or

(ii) the acquisition of beneficial ownership (as such term is defined in Rule 13d-3 promulgated under the Securities and Exchange Act of 1934, as amended (the "Exchange Act")) by any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than the Company, directly or indirectly, of securities representing 50% or more of the total number of votes that may be cast for the election of directors of the Company; or

(iii) the failure at any annual or special meetings of the Company's shareholders held during the three-year period following a "solicitation in opposition" as defined in Rule 14a-6 promulgated under the Exchange Act, of a majority of the persons nominated by the Company in the proxy material mailed to shareholders by the management of the Company to win election to seats on the board of directors (such majority calculated based upon the total number of persons nominated by the Company failing to win election to seats on the Board divided by the total number of Board members of the Board as of the beginning of such three year period), excluding only those who die, retire voluntarily, are disabled or are otherwise disqualified in the interim between their nomination and the date of the meeting.

"Committee" is defined as the Compensation Committee, or its successor, of the Company's Board of Directors.

"Comparative Group" is defined as Brinker and such other companies as designated by the Commitee.

"Measurement Period" is defined as a consecutive three fiscal year period, or such other period as the Committee shall designate prior to making an award pursuant to the Plan, beginning on the date described in the applicable award letter, except in the event of a Change in Control, in which case the Measurement Period shall end on the effective date of the Change in Control.

"Total Shareholder Return (TSR)" is defined as the rate of return reflecting stock price appreciation plus the amount of cash dividends paid during the Measurement Period. The average Daily Closing Stock Price (adjusted for splits and dividends) for each company in the Comparative Group for the 90 calendar days prior to the beginning and ending points of the Measurement Period will be used to smooth out market fluctuations.

"Daily Closing Stock Price" is defined as the stock price at the close of trading of the National Exchange on which the stock is traded.

"National Exchange" is defined as the New York Stock Exchange (NYSE), the National Association of Stock Dealers and Quotes (NASDAQ), or the American Stock Exchange (AMEX), or a generally recognized successor-in-interest if any such exchange no longer exists.

"Performance Share" is defined as the right to receive a share of Common Stock of the Company upon satisfaction of any performance metrics and/or other requirements established by the Committee.

Accumulation of Performance Shares

A Participant shall receive an award ("Award") of a target number of Performance Shares. The target number of Performance Shares awarded to each Participant shall be determined by (a) the Committee and (b) the terms and conditions of the applicable award letter provided to the Participant by the Committee. The final number of shares issued to individual participants as payout for vested Performance Shares is determined by (i) the Company's TSR rank within the Comparative Group at the end of a Measurement Period and (ii) the terms and conditions of the applicable award letter. The distribution percentage of target Performance Shares, based on rank, shall be as designated by the Committee taking into account that there will be no payout if the Company's rank is at or near the bottom of the Comparative Group.

In the event that the Company's TSR over the Measurement Period is a negative number, the payout percentage as set by the Committee shall be reduced by 20 percent, regardless of the Company's rank within the Comparative Group.

Vesting of Performance Shares

Participants who are vested in their Performance Shares will be entitled to receive the percentage payout of their target award, if any, in the form of shares of common stock of the Company. If, at the end of the applicable Measurement Period, the Participant has not vested in his or her Performance Shares, or has otherwise forfeited his or her Performance Shares, he or she will not be entitled to receive any shares of common stock of the Company as payout for his or her unvested or forfeited Performance Shares.

Except as otherwise provided below, if a Participant's employment has not terminated prior to the end of the Measurement Period, then, as of the last day of such Measurement Period, the Participant shall become 100% vested in the Performance Shares subject to his or her Award.

Notwithstanding the foregoing, a Participant whose employment terminates prior to the end of the Measurement Period due to his death or disability shall become immediately 100% vested in the Performance Shares subject to his or her Award on the date on which his employment terminated. Furthermore, a Participant whose employment terminates prior to the end of the Measurement Period, but subsequent to the date on which the Participant's age plus years of service equal or exceeds 70, shall become immediately 100% vested in the Performance Shares subject to his or her Award as of the date on which his employment terminated; provided, however, that if following the end of such Participant's employment but prior to the end of the Measurement Period, the Participant becomes employed by or associated with a business, including, without limitation, being a consultant to, or a member of the board of directors of, such business, which competes with any business conducted by the Company or its subsidiaries or affiliates, then the Performance Shares subject to the Award shall instead be wholly forfeited by the Participant. Finally, in the event of a Change in Control prior to the end of the applicable Measurement Period, the Participant who is employed on the date of the Change in Control shall become immediately 100% vested in the Performance Shares on the effective date of such Change in Control, the Measurement Period shall be deemed to have ended as of such effective date of such Change in Control, and the Company will issue a number of shares to the Participant based upon the Company's relative TSR performance, but in no event less than a 100% payout. Awards in which the Participant does not vest in accordance with the foregoing rules shall be automatically forfeited by such Participant as of the last day of the applicable Measurement Period.

Attainment of Performance Goal

The issuance of shares of common stock of the Company as a payout of a Participant's vested Performance Shares shall be subject to, and dependent upon, the satisfaction of performance metrics and/or other requirements established by the Committee, including rank among the Comparative Group at the end of the Measurement Period.

Bankruptcy/Cease to Trade

In the event that a member (or members) in the Comparative Group ceases to trade for more than 10 consecutive days on a National Exchange at any point in the Measurement Period, such member (or members) will be considered to have the lowest ranking in the Comparative Group.

Acquisition From Outside the Comparative Group

In the event that a member (or members) in the Comparative Group is acquired by, or merges with, a company that is not a member of the Comparative Group, and at least 24 months of the Measurement Period has passed, the member's performance will be frozen on the date of acquisition. The member's TSR performance will be determined by using the average Daily Closing Stock Price (adjusted for splits and dividends) for the 90 calendar days prior to the beginning of the Measurement Period and the date of acquisition.

If 24 months has not passed prior to the acquisition/merger, the member will be considered to have the lowest ranking in the peer group.

Merger or Acquisition From Inside the Comparative Group

If two members of the Comparative Group merge, or if one member of the Comparative Group acquires another, TSR performance will be calculated as follows:

First, the weighted average aggregate TSR performance will be determined for the two entities. This will be the addition of the TSR for both entities up to the time of merger/acquisition, weighted by the market capitalization of the two entities.

Second, the TSR performance will be calculated for the merged entity, as per the provisions of the Plan, following the time of merger/acquisition.

Third, TSR performance before the merger/acquisition and after the merger/acquisition will be summed, weighted by the portion of the measurement period prior to the merger/acquisition and the portion of the measurement period following the merger/acquisition.

Last, each of the two members of the Comparative Group that are party to such merger or acquisition shall be deemed to have the TSR performance calculated as set forth above for purposes of the Rank of the members of the Comparative Group. For example, if the combined entity would have ranked fifth amongst members of the Comparative Group, both of the parties to such merger or acquisition shall be deemed to have ranked fifth.

Issuance of Shares

For each vested Performance Share held by the Participant, the Company will issue a like number of shares of its common stock multiplied by the applicable percentage payout. The issuance of shares to the Participant will occur as soon as practicable following the end of the Measurement Period, but in no event later than sixty (60) days following the end of the Measurement Period.

Dividend and Voting Rights

The receipt of an award of Performance Shares shall not entitle the Participant to voting rights or dividend rights.

A Participant who is issued shares of common stock as payout for his or her vested Performance Shares shall thereafter be entitled to vote as a shareholder of the Company and shall, at the time the shares are issued, receive a lump sum payment equal to the amount of cash dividends paid during the immediately preceding Measurement Period on the number of shares of common stock issued to the Participant (e.g., if the Participant's target is 100 shares and the payout is 175 shares, then contemporaneous with the issuance of the shares, the Participant will receive an amount equal to the cash dividend paid during the Measurement Period on 175 shares).

Administration

The Committee shall have authority to administer and interpret the Plan, establish administrative rules, approve eligible participants and awards to participants, and take any other action necessary for the proper and efficient operation of the Plan.

General

In the event of any inconsistency between this Plan and the SOIP (pursuant to which this Plan is adopted and administered), the terms of the SOIP shall be controlling.

Neither this Plan nor any action taken hereunder shall be construed as giving any employee or participant the right to be retained in the employ of Brinker or an Affiliate.

Nothing in the Plan shall be deemed to give any employee any right, contractually or otherwise, to participate in the Plan or in any benefits hereunder, other than the right to receive an award as may have been expressly awarded by the Committee subject to the terms and conditions of the applicable award letter provided to the employee by the Company.

The Company is not required to set aside any assets for payment of the benefits provided under this Plan. A Participant shall have no security interest in any such amounts. It is the Company's intention that this Plan be unfunded.

Subject to any restrictions set forth in the SOIP, the Committee may (i) amend, suspend, or terminate the Plan at any time and (ii) substitute any awards due currently or in the future under the Plan, including, but not limited to, any awards that have accrued to the benefit of participants but have not yet been paid.

The number of Performance Shares awarded to any Participant shall be subject to appropriate proportionate adjustment to reflect any stock dividend, stock split, share combination, separation, reorganization, liquidation or the like, of or by the Company.

CERTIFICATIONS

I, Douglas H. Brooks, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Brinker International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   A. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   B. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally acceptable accounting principles;

   C. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   D. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

   A. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   B. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2006

/s/ Douglas H. Brooks
Douglas H. Brooks,
Chairman of the Board,
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31(b)

CERTIFICATIONS

I, Charles M. Sonsteby, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Brinker International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

A. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

B. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally acceptable accounting principles;

C. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

D. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions);

A. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

B. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 8, 2006

/s/ Charles M. Sonsteby
Charles M. Sonsteby,
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32(a)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the “Company”), hereby certifies that the Company’s quarterly report on Form 10-Q for the quarter ended March 29, 2006 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2006

By: /s/ Douglas H. Brooks
Douglas H. Brooks,
Chairman of the Board,
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32(b)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the “Company”), hereby certifies that the Company’s quarterly report on Form 10-Q for the quarter ended March 29, 2006 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2006

By:/s/ Charles M. Sonsteby
Charles M. Sonsteby,
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)