UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended June 25, 2008 **Commission File No. 1-10275**

BRINKER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**75-1914582** (I.R.S. employer identification no.)
6820 LBJ Freeway, Dallas, Texas (Address of principal executive offices)	**75240** (Zip Code)

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

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

Title of Each Class
Common Stock, $0.10 par value

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No 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 ☒

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 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 the 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. 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" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒	Accelerated filer o
Non-accelerated filer o (Do not check if a 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 ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. $1,942,031,775.

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 August 14, 2008
Common Stock, $0.10 par value	101,387,001 shares

DOCUMENTS INCORPORATED BY REFERENCE

We have incorporated portions of our Annual Report to Shareholders for the fiscal year ended June 25, 2008 into Part II hereof, to the extent indicated herein. We have also incorporated by reference portions of our Proxy Statement for our annual meeting of shareholders on October 30, 2008, to be dated on or about September 11, 2008, into Part III hereof, to the extent indicated herein.

PART I

Item 1. BUSINESS.

General

References to "Brinker," "the Company," "we," "us," and "our" in this Form 10-K are references to Brinker International, Inc. and its subsidiaries and any predecessor companies of Brinker International, Inc.

We own, develop, operate and franchise the Chili's Grill & Bar ("Chili's"), On The Border Mexican Grill & Cantina ("On The Border"), Maggiano's Little Italy ("Maggiano's") and Romano's Macaroni Grill ("Macaroni Grill") restaurant brands. The Company was organized under the laws of the State of Delaware in September 1983 to succeed to the business operated by Chili's, Inc., a Texas corporation, which was organized in August 1977. We completed the acquisitions of Macaroni Grill in November 1989, On The Border in May 1994, and Maggiano's in August 1995.

Restaurant Brands

Chili's Grill & Bar

Chili's is a recognized leader in the full-service, casual dining category and features a varied menu. Hospitality has been the foundation of who we are and how we serve our guests for more than 33 years. Every day at Chili's locations around the world, our guests are greeted with "Welcome to Chili's".

Chili's menu features signature offerings such as Big Mouth Burgers and Bites, Baby Back Ribs, Sizzling Fajitas and our Triple Dipper Appetizer, to name just a few. Our varied menu ensures we have something for everyone during dinner and lunch, any day of the week. We pride ourselves on offering substantial portions of flavorful, high quality food at affordable prices. In most of our Chili's restaurants, you will find a Margarita Bar serving a variety of specialty margaritas, including our signature Presidente Margarita and a full selection of alcohol. Chili's also offers time-starved guests the convenience of great quality food, via the ToGo menu and separate ToGo entrances in the majority of our restaurants.

To provide guests an atmosphere of kicked-back energy, Chili's southwestern décor includes booth seating, tile-top tables, wood and brick walls covered with interesting memorabilia. In 2007, we began a re-imaging initiative to ensure that our older restaurants remain current.

During the year ending June 25, 2008, entrée selections ranged in menu price from $5.99 to $17.29. The average revenue per meal, including alcoholic beverages, was approximately $12.93 per person. During this same year, food and non-alcoholic beverage sales constituted approximately 86.8% of Chili's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 13.2%. Our average annual sales volume per Chili's restaurant during this same year was $3.2 million.

On The Border Mexican Grill & Cantina

On The Border is a full-service, casual dining Mexican restaurant brand. On The Border's menu offers a wide variety of Mexican favorites and is best known for its fajitas and margaritas. Our On The Border restaurants also offer a variety of innovative menu items from Guacamole Live!, Loaded Carne Asada Tacos, Spicy Buffalo Chicken Tacos, and Enchiladas Suizas. On The Border offers full bar service, in-restaurant dining and patio dining in all locations. On The Border also offers the convenience of a To-Go menu and To-Go entrance to speed take-out service in most locations. In addition to To-Go, On The Border offers catering service from simple drop-off delivery to full-service event planning.

During the year ending June 25, 2008, entrée selections ranged in menu price from $7.49 to $13.99. The average revenue per meal, including alcoholic beverages, was approximately $14.09 per person. During this same year, food and non-alcoholic beverage sales constituted approximately 81.6% of the On The Border's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 18.4%. Our average annual sales volume per On The Border restaurant during this same year was $2.8 million.

Maggiano's Little Italy

Maggiano's is a full-service, national, casual dining Italian restaurant brand. Each Maggiano's restaurant is a classic Italian-American restaurant in the style of New York's Little Italy in the 1940s. Our Maggiano's restaurants feature individual and family-style menus, and most of our restaurants also have extensive banquet facilities that can host events up to 300 people. We have a full lunch and dinner menu offering chef-prepared, classic Italian-American fare in the form of appetizers, and bountiful portions of pasta, chicken, seafood, veal and prime steaks. Our Maggiano's restaurants also offer a full range of alcoholic beverages, including a selection of quality premium wines.

During the year ending June 25, 2008, entrée selections ranged in menu price from $8.25 to $38.95. The average revenue per meal, including alcoholic beverages, was approximately $26.17 per person. During this same year, food and non-alcoholic beverage sales constituted approximately 81.1% of Maggiano's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 18.9%. Sales from our banquet facilities made up 21.0% of our total restaurant revenues for the year. Our average annual sales volume per Maggiano's restaurant during this same year was $8.9 million.

Romano's Macaroni Grill

Macaroni Grill is a full-service, national, casual dining Italian restaurant brand. Our guests enjoy chef-created dishes inspired by our culinary heritage at Macaroni Grill. Our menus include signature pastas, pizzas, grilled steak, seafood, salads and delicious desserts—all prepared by our talented chefs in open kitchens. Our Macaroni Grill restaurants feature brick ovens, festive string lights, fresh gladiolus, and a broad selection of house and premium wines. Additionally, our guests enjoy the convenience of Macaroni Grill's Curbside-To-Go service. We deliver delicious, chef-prepared meals right to their cars for our guests to enjoy at home. Macaroni Grill also offers catering service from drop-off delivery to full service event planning in many locations.

During the year ending June 25, 2008, entrée selections ranged in menu price from $8.99 to $19.49, with chef features priced separately. The average revenue per meal, including alcoholic beverages, was approximately $15.83 per person. During this same year, food and non-alcoholic beverage sales constituted approximately 88.3% of Macaroni Grill's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 11.7%. Our average annual sales volume per Macaroni Grill restaurant during this same year was $3.2 million.

Business Strategy

Our long-term vision is to be the dominant, global casual-dining restaurant portfolio company. To achieve our vision, we are focused on building a business model that will enable us to achieve sustainable growth in a variety of economic environments in order to create long-term value for our shareholders. We believe the key to reaching this goal resides within our existing restaurants by leveraging the strong positioning and operating strength of our world-class brands to grow profitable ongoing comparable restaurant sales. The basis of this business model will be grounded in our five areas of focus:

- Hospitality;
- Food and beverage excellence;
- Restaurant atmosphere;
- Pace and convenience; and
- International expansion.

Our organization is focused on these five priorities that are designed to grow our base business by engaging and delighting our guests, differentiating our brands from competitors throughout the industry, reducing the costs associated with managing our restaurants and establishing a strong presence in key markets around the world.

Restaurant Development

In fulfilling our long-term vision, and being mindful of our five areas of focus, our restaurant brands will continue to expand primarily through our franchisees. Our company-owned development will be restricted to a limited number of restaurants that meet or exceed our internal hurdle rates to ensure appropriate returns. This restricted company growth will shift the greater portion of new restaurant development to our expanding franchise community, domestically and internationally.

New restaurant development will be concentrated on certain identified markets to achieve the necessary levels to improve the competitive position, marketing potential, profitability and return on invested capital of our restaurant brands. Domestic expansion efforts continue to focus not only on major metropolitan areas in the United States but also on smaller market areas and non-traditional locations (such as airports, college campuses, toll plazas, and food courts) that can adequately support our restaurant brands. International expansion efforts continue to focus on introducing our brands into new countries and on expanding our brands within existing countries.

As part of our strategy to expand through our franchisees, our overall percentage of franchise ownership (domestically and internationally) increased in Fiscal 2008. The following table illustrates the percentages of franchise ownership as of June 25, 2008 for the company and by restaurant brand:

	Percentage of Franchise Operated Restaurants (domestic and international)
Brinker	33%
Chili's	38%
On The Border	20%
Maggiano's	0%
Macaroni Grill	14%

Domestic Franchise Development and Operations

Our focus on domestic expansion is primarily through growth in our number of franchised restaurants. We are accomplishing this part of our growth through existing, new or renewed development obligations with new or existing franchisees. In addition, we have also sold and may sell company-owned restaurants to our franchisees (new or existing). At June 25, 2008, 28 total domestic development arrangements existed. A typical domestic franchise development agreement provides for payment of development and initial franchise fees in addition to subsequent royalty and advertising fees based on the gross sales of each restaurant. We expect future domestic franchise development agreements to remain limited to enterprises having significant experience as restaurant operators and proven financial ability to support and develop multi-unit operations. In some instances we have and may enter into development agreements for multiple brands with the same franchisee.

During the year ended June 25, 2008, not including any restaurants we sold to our franchisees, our domestic franchisees opened 33 Chili's restaurants, four On The Border restaurants, and six Macaroni Grill restaurants. In addition, we sold 76 company-owned Chili's restaurants to an existing franchisee.

During fiscal 2008, we also entered into new or renewed development agreements with three franchisees for the development of 65 Chili's restaurants, five On The Border restaurants, and seven Macaroni Grill restaurants. The areas of development for these franchise locations include all or portions of the States of Alaska, Illinois, Indiana, Kentucky, Minnesota, Ohio, and Wisconsin, as well as various airports and toll plazas in portions of the United States. We also completed the acquisition of two Chili's restaurants in the Pacific Northwest from our franchisee.

International Operations

Our strategy also includes the development of our brands internationally. We continue our international growth through development agreements with new and existing franchisees introducing our brands into new countries, as well as expanding them in existing countries. At June 25, 2008, we had 44 total development arrangements. During the fiscal year 2008, our international franchisees opened 25 Chili's restaurants and three On The Border restaurants. In the same year, we entered into new or renewed development agreements with 10 franchisees for the development of 94 Chili's restaurants and 12 Maggiano's restaurants. The areas of development for these locations include all or portions of the countries of Canada, Egypt, El Salvador, India, Mexico, Morocco, Peru, Saudi Arabia, Singapore, and the United Arab Emirates. We also continued our presence in the United Kingdom through a company-owned affiliate, with the opening of one Chili's restaurant.

Notably, we entered into an agreement with one of our franchisees in Mexico, CMR, S.A.B. de C.V., to jointly invest in a new company to develop Chili's and Maggiano's in portions of Mexico. The new company anticipates developing approximately 50 restaurants over the next four years. In fiscal 2008, eight new Chili's restaurants were opened by this company.

As we develop our brands internationally, we will selectively pursue expansion through various means, including franchising, joint ventures and company-owned development. Similar to our domestic franchise agreements, a typical international franchise development agreement provides for payment of development fees and franchise fees in addition to subsequent royalty fees based on the gross sales of each restaurant. We expect future development agreements to remain limited to enterprises having significant experience as restaurant operators and proven financial ability to support and develop multi-unit, as well as, in some instances multi-brand, operations.

Company Development

While our near-term focus will be less on new company-operated restaurants than we have historically done, our restaurant site selection process remains basically the same. We devote significant effort to the investigation of new locations utilizing a variety of sophisticated analytical techniques. We evaluate a variety of factors, including: trade area demographics, such as target population density and household income levels; physical site characteristics, such as visibility, accessibility and traffic volume; relative proximity to activity centers, such as shopping centers, hotel and entertainment complexes and office buildings; supply and demand trends, such as proposed infrastructure improvements, new developments, and existing and potential competition. Members of each brand's executive team inspect, review and approve each restaurant site prior to its acquisition for that brand.

We periodically reevaluate restaurant sites to ensure that site selection attributes have not deteriorated below our minimum standards. In the event site deterioration occurs, each brand makes a concerted effort to improve the restaurant's performance by providing physical, operating and marketing enhancements unique to each restaurant's situation. If efforts to restore the restaurant's performance to acceptable minimum standards are unsuccessful, the brand considers relocation to a proximate, more desirable site, or evaluates closing the restaurant if the brand's measurement criteria, such as return on investment and area demographic trends, do not support relocation. Since inception, relating to our restaurant brands, we have closed 170 restaurants, including 44 in fiscal 2008. We perform a comprehensive analysis that examines restaurants not performing at a required rate of return. A portion of these closed restaurants were performing below our standards or were near or at the expiration of their lease term. Our strategic plan is targeted to support our long-term growth objectives, with a focus on continued development of those restaurant brands that have the greatest return potential for the Company and our shareholders.

The following table illustrates the system-wide restaurants opened in fiscal 2008 and the planned openings in fiscal 2009:

	Fiscal 2008 Openings(1)	Fiscal 2009 Projected Openings
Chili's:		
Company-operated	59	9-11
Franchise(2)	33	30-40
On The Border:		
Company-operated	7	1
Franchise(2)	4	9-12
Maggiano's	1	2
Macaroni Grill:		
Company-operated	3	—
Franchise(2)	6	4-6
International:		
Company-operated(3)	1	2
Franchise(3)	31	31-36
Total	145	88-110

(1) The numbers in this column are the total of new restaurant openings and openings of relocated restaurants during the fiscal year.

(2) The numbers on this line are projected domestic franchise openings.

(3) The numbers on this line are for all brands.

We anticipate that some of the fiscal 2009 projected restaurant openings may be constructed pursuant to agreements where a landlord contributes some of the building construction costs. In other cases, we may either lease or own the land (paying for any owned land from our own funds) and either lease or own the building, furniture, fixtures and equipment (paying for any owned items from our own funds).

Our capital investment in new restaurants may differ in the future due to building design specifications, site location, and site characteristics. The following table illustrates the approximate average capital investment for restaurants opened in fiscal 2008:

	Chili's	On the Border	Maggiano's	Macaroni Grill
Land(1)	$1,003,000	$ 1,099,000	$2,312,000	$ 1,308,000
Building	1,737,000	1,105,000	5,474,000	1,787,000
Furniture & Equipment	497,000	495,000	1,386,000	507,000
Other(2)	43,000	29,000	32,000	17,000
Total	$3,280,000	$ 2,728,000	$9,204,000	$ 3,619,000

(1) This amount represents the average cost for land acquisition, capital lease values net of landlord contributions (or an equivalent amount for operating lease costs also net of landlord contributions) based on estimated lease payments and other costs that will be incurred through the term of the lease.

(2) This amount includes liquor licensing costs which can vary significantly depending on the jurisdiction where the restaurants are located.

The specific rate at which we are able to open new restaurants is determined, in part, by our success in locating satisfactory sites that meet or exceed our internal hurdle rates for return, negotiating acceptable lease or purchase terms, securing appropriate local governmental permits and approvals, and by our capacity to supervise construction and recruit and train management and hourly personnel.

Restaurant Management

Our philosophy to maintain and operate each brand as a distinct and separate entity ensures that the culture, recruitment and training programs and unique operating environments of each brand are preserved. These factors are critical to the viability of each brand. During fiscal 2008, we also incorporated our focus on hospitality into each brand's culture and training programs for both new and existing team members.

Each brand is directed by a president and one or more vice presidents overseeing specifically identified areas. At the same time we utilize common and shared infrastructure where it provides efficiencies and cost-savings to the brands, including, among other services, accounting, information technology, purchasing, restaurant development and legal.

Restaurant management structure varies by brand. The individual restaurants themselves are led by a management team including a general manager and, on average, between two to six additional managers. The level of restaurant supervision depends upon the operating complexity and sales volume of each brand and each location. On average, depending on the brand needs, an area director/supervisor is responsible for the supervision of three to eight restaurants. For those brands with a significant number of units within a geographical region, additional levels of management may be provided.

We believe that there is a high correlation between the quality of restaurant management and the long-term success of a brand. In that regard, we encourage increased experience at all management positions through various short and long-term incentive programs, which may include equity ownership. These programs, coupled with a general management philosophy emphasizing quality of life, have enabled us to attract and retain team members.

We ensure consistent quality standards in all brands through the issuance of operations manuals covering all elements of operations and food and beverage manuals, which provide guidance for preparation of brand-formulated recipes. Routine visitation to the restaurants by all levels of supervision enforces strict adherence to our overall brand standards and operating procedures.

Each brand is responsible for maintaining each brand's operational training program. The training program typically includes a three to four month training period for restaurant management trainees, a continuing management training process for managers and supervisors, and training teams consisting of groups of team members experienced in all facets of restaurant operations that train team members to open new restaurants. The training teams typically begin on-site training at a new restaurant seven to ten days prior to opening and remain on location one to two weeks following the opening to ensure the smooth transition to operating personnel.

Purchasing

Our ability to maintain consistent quality throughout each of our restaurant brands depends upon acquiring products from reliable sources. Our pre-approved suppliers and our restaurants are required to adhere to strict product specifications established through our quality assurance and culinary programs. These requirements ensure that high quality products are served in each of our restaurants. We strategically negotiate directly with major suppliers to obtain competitive prices. We also use purchase commitment contracts to stabilize the potentially volatile pricing associated with certain commodity items. All essential products are available from pre-qualified distributors to be delivered to any of our restaurant brands. Additionally, as a purchaser of a variety of protein products, we do require our vendors to adhere to humane processing standards for their respective industries. Because of the relatively rapid turnover of perishable food products, inventories in the restaurants, consisting primarily of food, beverages and supplies, have a modest aggregate dollar value in relation to revenues.

Advertising and Marketing

Our brands generally focus on the eighteen to fifty-four year-old age group, which constitutes approximately half of the United States population. Though members of this target segment grew up on fast food, we believe that for many meal occasions, these consumers value the benefits of the casual dining category, particularly the higher food quality and enhanced dining experience. To reach this target group, we use a mix of television, radio, print or online advertising, with each of our restaurant brands utilizing one or more of these mediums to meet the brand's communication strategy and budget.

Our franchise agreements require advertising contributions to us by the franchisees. We use these contributions exclusively for the purpose of obtaining consumer insights, developing and producing brand-specific creative materials and purchasing national or regional media to meet the brand's strategy. Some franchisees also spend additional amounts on local advertising. Any such local advertising must first be approved by us.

Team Members

At June 25, 2008, we employed approximately 100,400 persons, of whom approximately 1,000 were restaurant support center personnel, 5,900 were restaurant area directors, managers or trainees and 93,500 were employed in non-management restaurant positions. Our executive officers have an average of approximately 23 years of experience in the restaurant industry.

We consider our team member relations to be positive and continue to focus on improving our team member turnover rate. We use various tools and programs to help us hire our new team members. We utilize tools that aid in determining if our prospective team members (hourly and management) have the proper skills for working at our restaurants. Most team members, other than restaurant management and restaurant support center personnel, are paid on an hourly basis. We believe that we provide working conditions and wages that compare favorably with those of our competition. Our team members are not covered by any collective bargaining agreements.

Trademarks

We have registered and/or have pending, among other marks, "Brinker International", "Chili's", "Chili's Bar & Bites", "Chili's Grill & Bar", "Chili's Margarita Bar", "Chili's Southwest Grill & Bar", "Chili's Too", "On The Border", "On The Border Mexican Cafe", "On The Border Mexican Grill & Cantina", "Maggiano's", "Maggiano's Little Italy", "Romano's Macaroni Grill" and "Macaroni Grill", as trademarks with the United States Patent and Trademark Office.

Available Information

We maintain an internet website with the address of http://www.brinker.com. You may obtain, free of charge, at our website, copies of our reports filed with, or furnished to, the Securities and Exchange Commission (the "SEC") on Forms 10-K, 10-Q, and 8-K. Any amendments to such reports are also available for viewing and copying at our internet website. These reports will be available as soon as reasonably practicable after filing such material with, or furnishing it to, the SEC. In addition, you may view and obtain, free of charge, at our website, copies of our corporate governance materials, including, Corporate Governance Guidelines, Governance and Nominating Committee Charter, Audit Committee Charter, Compensation Committee Charter, Executive Committee Charter, Code of Conduct and Ethical Business Policy, and Problem Resolution Procedure/Whistle Blower Policy.

Item 1A. RISK FACTORS.

We wish to caution you that our business and operations are subject to a number of risks and uncertainties. The factors listed below are important factors that could cause actual results to differ materially from our historical results and from those projected in forward-looking statements contained in this report, in our other filings with the SEC, in our news releases, written or electronic communications, and verbal statements by our representatives.

You should be aware that forward-looking statements involve risks and uncertainties. These risks and uncertainties may cause our or our industry's actual results, performance or achievements to be materially different from any future results, performances or achievements contained in or implied by these forward-looking statements. Forward-looking statements are generally accompanied by words like "believes," "anticipates," "estimates," "predicts," "expects," and other similar expressions that convey uncertainty about future events or outcomes.

Risks Related to Our Business

Competition may adversely affect our operations and financial results.

The restaurant business is highly competitive as to price, service, restaurant location, nutritional and dietary trends and food quality, and is often affected by changes in consumer tastes, economic conditions, population and traffic patterns. We compete 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 ours. There is active competition for management personnel and hourly team members, and for attractive commercial real estate sites suitable for restaurants. Further, we also face growing competition as a result of the trend toward convergence in grocery, deli and restaurant services, including the offering by the grocery industry of convenient meals in the form of improved entrees and side dishes. We compete primarily on the quality, variety, and value perception of menu items, as well as the quality and efficiency of service.

Our sales volumes generally decrease in winter months.

Our sales volumes fluctuate seasonally and are generally higher in the summer months and lower in the winter months, which may cause seasonal fluctuations in our operating results.

Changes in governmental regulation may adversely affect our ability to open new restaurants and to maintain our existing and future operations.

Each of our restaurants is subject to licensing and regulation by alcoholic beverage control, health, sanitation, safety and fire agencies in the state, county and/or municipality where the restaurant is located. We generally have not encountered any material difficulties or failures in obtaining and maintaining the required licenses and approvals that could delay or prevent the opening of a new restaurant, or impact the continuing operations of an existing restaurant. Although we do not, at this time, anticipate any occurring in the future, we cannot assure you that we will not experience material difficulties or failures that could delay the opening of restaurants in the future, or impact the continuing operations of an existing restaurant.

We are 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, the Immigration Reform and Control Act of 1986, 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. We expect increases in payroll expenses as a result of federal and state mandated increases in the minimum wage and although such increases are not expected to be material, we cannot assure you that there will not be material increases in the future. Enactment and enforcement of various federal, state and local laws, rules and regulations on immigration and labor organizations may adversely impact the availability and costs of labor for our restaurants in a particular area or across the United States. Other labor shortages or increased team member turnover could also increase labor costs. In addition, our vendors may be affected by higher minimum wage standards or availability of labor, which may increase the price of goods and services they supply to us.

We are also subject to federal and state environmental regulations, and although these have not had a material negative effect on our operations, we 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, prevent, or make cost prohibitive the development of new restaurants in particular locations.

Inflation may increase our operating expenses.

We have experienced impact from inflation. Inflation has caused increased food, labor and benefits costs and has increased our operating expenses. We may continue to experience increased food costs due to the diversion of food crop production to non-traditional uses, as well as increased food costs due to increased fuel costs for our vendors. As operating expenses increase, we, to the extent permitted by competition, recover increased costs by increasing menu prices, or by reviewing, then implementing, alternative products or processes, or by implementing other cost reduction procedures. We cannot ensure, however, that we will be able to continue to recover increases in operating expenses due to inflation in this manner.

Our profitability may be adversely affected by increases in energy costs.

Our success depends in part on our ability to absorb increases in utility costs, in particular electricity and natural gas. Various regions of the United States in which we operate multiple restaurants have experienced significant increases in utility prices. These increases have affected costs and if they continue to occur, it would have further adverse effects on our profitability to the extent not otherwise recoverable through price increases or alternative products, processes or cost reduction procedures.

Shortages or interruptions in the availability and delivery of food and other supplies may increase costs or reduce revenues.

Possible shortages or interruptions in the supply of food items and other supplies to our restaurants caused by inclement weather, natural disasters such as floods, drought and hurricanes, the inability of our vendors to obtain credit in a tightened credit market, food safety warnings or advisories or the prospect of such pronouncements (such as recent reports on tomatoes and jalapenos), or other conditions beyond our control could adversely affect the availability, quality and cost of items we buy and the operations of our restaurants. Our inability to effectively manage supply chain risk could increase our costs and limit the availability of products critical to our restaurant operations.

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

We evaluate potential mergers, acquisitions, franchisees of new and existing restaurants, joint venture investments, and divestitures as part of our 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;
- our ability to achieve projected economic and operating synergies;
- unanticipated changes in business and economic conditions affecting an acquired business; and
- our ability to complete divestitures on acceptable terms and at or near the prices estimated as attainable by us.

If we are unable to meet our growth plan, our profitability in the future may be adversely affected.

Our ability to meet our growth plan is dependent upon, among other things, our and our franchisees' ability to:

- identify available, suitable and economically viable locations for new restaurants,
- identify adequate sources of capital to fund and finance strategic initiatives, including remodeling of existing restaurants and new restaurant development,
- obtain all required governmental permits (including zoning approvals and liquor licenses) on a timely basis,
- hire all necessary contractors and subcontractors and obtain construction materials at suitable prices,
- meet construction schedules, and
- hire and train qualified managers and team members for the restaurants.

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. We cannot assure you that we will be able to expand our capacity in accordance with our growth objectives or that the new restaurants and brands opened or acquired will be profitable.

Unfavorable publicity relating to one or more of our 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 health concerns or operating issues stemming from one or a limited number of restaurants. In particular, since we depend heavily on the Chili's brand for a majority of our 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 our business, financial condition and results of operations.

Identification of material weakness in internal control may adversely affect our financial results.

We are 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. If such a material weakness is identified, it could indicate a lack of adequate controls to generate accurate financial statements. We routinely assess our internal controls, but we cannot assure you that we will be able to timely remediate any material weaknesses that may be identified in future periods, or maintain all of the controls necessary for continued compliance. Likewise, we cannot assure you that we will be able to retain sufficient skilled finance and accounting team members, especially in light of the increased demand for such individuals among publicly traded companies.

Other risk factors may adversely affect our financial performance.

Other risk factors that could cause our actual results to differ materially from those indicated in the forward-looking statements by affecting, among many things, pricing, consumer spending and consumer confidence, include, without limitation, changes in economic conditions and financial and credit markets (including rising interest rates and costs for consumers and reduced disposable income), credit availability, increased costs of food commodities, increased fuel costs and availability for our team members, customers and suppliers, health epidemics or pandemics or the prospects of these events (such as reports on avian flu), consumer perceptions of food safety, changes in consumer tastes and behaviors, governmental monetary policies, changes in demographic trends, availability of employees, terrorist acts, energy shortages and rolling blackouts, and weather (including, major hurricanes and regional winter storms) and other acts of God.

Item 1B. UNRESOLVED STAFF COMMENTS.

None.

Item 2. PROPERTIES.

Restaurant Locations

At June 25, 2008, our system of company-owned and franchised restaurants included 1,888 restaurants located in 50 states, and Washington, D.C. We also have restaurants in the countries of Bahrain, Canada, Ecuador, Egypt, Germany, Guatemala, Honduras, Indonesia, Japan, Kuwait, Lebanon, Malaysia, Mexico, Oman, Peru, Philippines, Puerto Rico, Qatar, Saudi Arabia, South Korea, Taiwan, United Arab Emirates, United Kingdom, and Venezuela. We have provided you a breakdown of our portfolio of restaurants in the two tables below:

Table 1: Company-owned vs. franchise (by brand) as of June 25, 2008:

Chili's	
Company-owned	894
Franchise	558
On the Border:	
Company-owned	135
Franchise	33
Maggiano's	42
Macaroni Grill:	
Company-owned	194
Franchise	32
Total	1,888

Table 2: Domestic vs. foreign locations (by brand) as of June 25, 2008 (company-owned and franchised):

	Domestic (No. of States)	Foreign (No. of countries)
Chili's	1,291 (50)	161 (24)
On The Border	165 (33)	3 (3)
Maggiano's	42 (21 & D.C.)	None
Macaroni Grill	212 (40)	14 (10)

Restaurant Property Information

The following table illustrates the approximate average dining capacity for each current prototypical restaurant in our restaurant brands:

	Chili's	On The Border	Maggiano's	Macaroni Grill
Square Feet	3,930-5,450	4,000-5,690	12,000-17,000	6,300-7,000
Dining Seats	150-220	150-230	500-700	205-230
Dining Tables	35-50	37-55	100-150	50-70

The leases typically provide for a fixed rental plus percentage rentals based on sales volume. At June 25, 2008, we owned the land and building for 282 of our 1,265 company-operated restaurant locations. For these 282 restaurant locations, the net book value for the land was $241.2 million and for the buildings was $237.0 million. For the remaining 983 restaurant locations leased by us, the net book value of the buildings and leasehold improvements was $977.6 million. The 983 leased restaurant locations can be categorized as follows: 774 are ground leases (where we lease land only, but own the building) and 203 are retail leases (where we lease the land/retail space and building). We believe that our properties are suitable, adequate, well-maintained and sufficient for the operations contemplated. Some of our leased restaurants are leased for an initial lease term of 5 to 30 years, with renewal terms of 1 to 35 years.

Other Properties

We lease warehouse space totaling approximately 39,150 square feet in Carrollton, Texas, which we use for storage of equipment and supplies. We own an office building containing approximately 108,000 square feet which we use for part of our corporate headquarters and menu development activities. We lease an additional office complex containing approximately 198,000 square feet for the remainder of our corporate headquarters which is currently utilized by the Company or reserved for future expansion of the Company headquarters. Because of our operations throughout the United States, we also lease office space in Arizona, California, Colorado, Florida, Georgia, New Jersey, and Texas for use as regional operation offices. The size of these office leases range from approximately 100 square feet to approximately 4,000 square feet.

Item 3. LEGAL PROCEEDINGS.

Certain current and former hourly restaurant employees filed a lawsuit against us in California Superior Court alleging violations of California labor laws with respect to meal and rest breaks. The lawsuit seeks penalties and attorneys' fees and was certified as a class action in July 2006. On July 22, 2008, the California Court of Appeals decertified the class action on all claims with prejudice. We cannot anticipate what actions plaintiff will take in response to this ruling, but we intend to vigorously defend our position. It is impossible at this time to reasonably estimate the possible loss or range of loss, if any.

We are engaged in various other legal proceedings and have certain unresolved claims pending. The ultimate liability, if any, for the aggregate amounts claimed cannot be determined at this time. However, our management, 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 our consolidated financial condition or results of operations.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "EAT". Bid prices quoted represent interdealer prices without adjustment for retail markup, markdown and/or commissions, and may not necessarily represent actual transactions. The following table sets forth the quarterly high and low closing sales prices of the common stock, as reported by the NYSE.

Fiscal year ended June 25, 2008:

	High	Low
First Quarter	$30.14	$26.21
Second Quarter	$28.30	$19.00
Third Quarter	$20.06	$15.32
Fourth Quarter	$23.86	$17.67

Fiscal year ended June 27, 2007:

	High	Low
First Quarter	$28.05	$21.15
Second Quarter	$32.01	$26.29
Third Quarter	$35.50	$29.59
Fourth Quarter	$34.16	$28.82

As of August 14, 2008, there were 917 holders of record of our common stock.

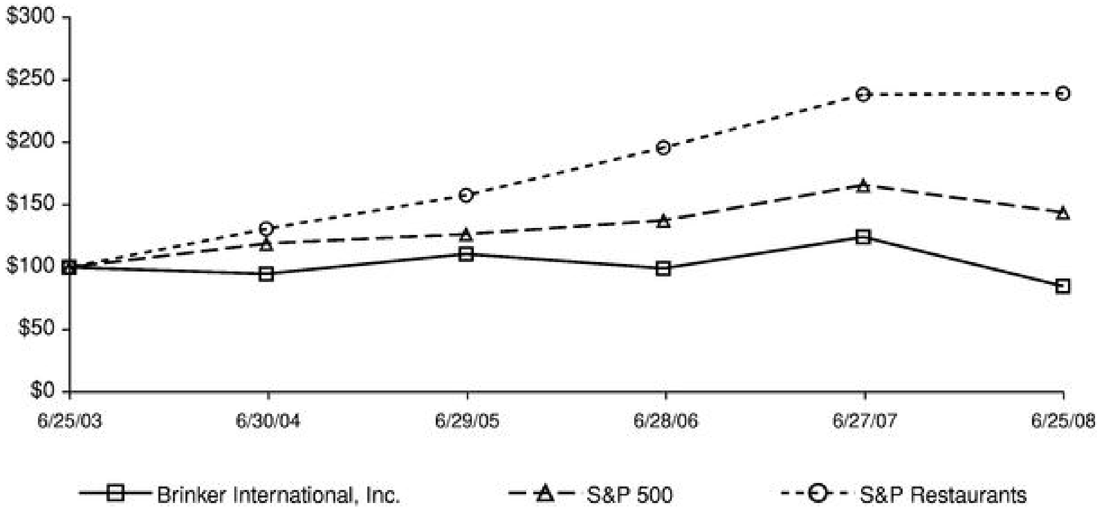
During the fiscal year ended June 25, 2008, we continued to declare quarterly cash dividends for our shareholders. We have set forth the dividends paid for the fiscal year in the following table:

Dividend Per Share of Common Stock	Declaration Date	Record Date	Payment Date
$0.09	August 23, 2007	September 14, 2007	September 26, 2007
$0.11	November 1, 2007	December 5, 2007	December 17, 2007
$0.11	January 31, 2008	March 13, 2008	March 26, 2008
$0.11	June 4, 2008	June 16, 2008	June 25, 2008

The following graph compares the cumulative five-year total return provided shareholders on Brinker International, Inc.'s common stock relative to the cumulative total returns of the S&P 500 Index and the S&P Restaurants Index.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Among Brinker International, Inc., The S&P 500 Index
And The S&P Restaurants Index



The graph assumes a $100 initial investment and the reinvestment of dividends in our stock and each of the indexes on June 25, 2003 and its relative performance is tracked through June 25, 2008. The values shown are neither indicative nor determinative of future performance.

	2003	2004	2005	2006	2007	2008
Brinker International	$100.00	$ 94.83	$110.67	$ 99.17	$124.29	$ 84.96
S&P 500	$100.00	$119.11	$126.64	$137.57	$165.90	$144.13
S&P Restaurants(1)	$100.00	$130.84	$157.72	$195.86	$238.49	$239.31

(1) The S&P Restaurants Index is comprised of Darden Restaurants, Inc., McDonald's Corp., Starbucks Corp., Wendy's International, Inc., and Yum! Brands Inc.

In May 2004, we issued $300.0 million in the aggregate principal amount at maturity of 5.75% Notes due 2014 (the "Unregistered Notes"). The Unregistered Notes were not registered under the Securities Act of 1933, as amended. Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. served as the joint book-running managers for the offering. The Unregistered Notes were offered and sold only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act of 1933, as amended), and, outside the United States, to non-U.S. persons in reliance on Regulation S under the Securities Act. The Unregistered Notes are redeemable at our option at any time, in whole or in part. The proceeds of the offering were used for general corporate purposes, including the repurchase of our common stock pursuant to our share repurchase program.

In September 2004, we completed an exchange offer in the aggregate principal amount of $300.0 million pursuant to which all of the holders of the Unregistered Notes exchanged the Unregistered Notes for new 5.75% notes due 2014 (the "Registered Notes"). The Registered Notes are on substantially the same terms as the Unregistered Notes except that the Registered Notes have been registered under the Securities Act and are freely tradable. We did not receive any new proceeds from the issuance of the Registered Notes.

Except as described in the immediately preceding paragraphs, during the three-year period ended on August 15, 2008, we issued no securities which were not registered under the Securities Act of 1933, as amended.

We continue to maintain our share repurchase program; however, activity in the fourth quarter of fiscal 2008 was minimal. During the fourth quarter, we repurchased shares as follows (in thousands, except share and per share amounts):

	Total Number of Shares Purchased(a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value that May Yet be Purchased Under the Program
March 27, 2008 through April 30, 2008	—	—	—	$ 59,797
May 1, 2008 through May 28, 2008	—	—	—	$ 59,797
May 29, 2008 through June 25, 2008	333	$ 19.24	—	$ 59,797
Total	333	$ 19.24	—	

(a) These amounts include shares owned and tendered by employees to satisfy tax withholding obligations on the vesting of restricted share awards, which are not deducted from shares available to be purchased under publicly announced programs. Unless otherwise indicated, shares owned and tendered by employees to satisfy tax withholding obligations were purchased at the closing price of the Company's shares on the date of vesting.

Item 6. SELECTED FINANCIAL DATA.

The information set forth in that section entitled "Selected Financial Data" in our 2008 Annual Report to Shareholders is presented on page F-1 of Exhibit 13 to this document. We incorporate that information in this document by reference.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information set forth in that section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2008 Annual Report to Shareholders is presented on pages F-2 through F-12 of Exhibit 13 to this document. We incorporate that information in this document by reference.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The information set forth in that section entitled "Quantitative and Qualitative Disclosures About Market Risk" contained within "Management's Discussion and Analysis of Financial Condition and Results of Operations" is in our 2008 Annual Report to Shareholders presented on page F-12 of Exhibit 13 to this document. We incorporate that information in this document by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

We refer you to the Index to Financial Statements attached hereto on page 20 for a listing of all financial statements in our 2008 Annual Report to Shareholders. This report is attached as part of Exhibit 13 to this document. We incorporate those financial statements in this document by reference.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

Item 9A.   CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934 [the "Exchange Act"]), as of the end of the period covered by this Annual Report on Form 10-K, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective.

Management's Report on Internal Control over Financial Reporting

"Management's Report on Internal Control over Financial Reporting" and the attestation report of the independent registered public accounting firm of KPMG, LLP on internal control over financial reporting are in our 2008 Annual Report to Shareholders and are presented on pages F-34 through F-36 of Exhibit 13 to this document. We incorporate these reports in this document by reference.

Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during our fourth quarter ended June 25, 2008, that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B.   OTHER INFORMATION.

None.

PART III

Item 10.   DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

If you would like information about:

- our executive officers,
- our Board of Directors, including its committees, and
- our Section 16(a) reporting compliance,

you should read the sections entitled "Election of Directors—Information About Nominees", "Committees of the Board of Directors", "Executive Officers", and "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement to be dated on or about September 11, 2008, for the annual meeting of shareholders on October 30, 2008. We incorporate that information in this document by reference.

The Board of Directors has adopted a code of ethics that applies to all of the members of Board of Directors and all of our employees, including, the principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the code is posted on our internet website at the internet address: http://www.brinker.com/corp_gov/ ethical_business_ policy.asp. You may obtain free of charge copies of the code from our website at the above internet address.

Item 11. EXECUTIVE COMPENSATION.

If you would like information about our executive compensation, you should read the section entitled "Executive Compensation—Compensation Discussion and Analysis" in our Proxy Statement to be dated on or about September 11, 2008, for the annual meeting of shareholders on October 30, 2008. We incorporate that information in this document by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

If you would like information about our security ownership of certain beneficial owners and management and related stockholder matters, you should read the sections entitled "Director Compensation for Fiscal 2008", "Compensation Discussion and Analysis", and "Stock Ownership of Certain Persons" in our Proxy Statement to be dated on or about September 11, 2008, for the annual meeting of shareholders on October 30, 2008. We incorporate that information in this document by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

If you would like information about certain relationships and related transactions, you should read the section entitled "Compensation Committee Interlocks and Insider Participation" in our Proxy Statement to be dated on or about September 11, 2008, for the annual meeting of shareholders on October 30, 2008. We incorporate that information in this document by reference.

If you would like information about the independence of our non-management directors and the composition of the Audit Committee, Compensation Committee and Governance and Nominating Committee, you should read the sections entitled "Director Independence" and "Committees of the Board of Directors" in our Proxy Statement to be dated on or about September 11, 2008, for the annual meeting of shareholders on October 30, 2008. We incorporate that information in this document by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

If you would like information about principal accountant fees and services, you should read the section entitled "Ratification of Independent Auditors" in our Proxy Statement to be dated on or about September 11, 2008, for the annual meeting of shareholders on October 30, 2008. We incorporate that information in this document by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a)(1) Financial Statements.

We make reference to the Index to Financial Statements attached to this document on page 20 for a listing of all financial statements attached as Exhibit 13 to this document.

(a)(2) Financial Statement Schedules.

None.

(a)(3) Exhibits.

We make reference to the Index to Exhibits preceding the exhibits attached hereto on page E-1 for a list of all exhibits filed as a part of this document.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BRINKER INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ CHARLES M. SONSTEBY

Charles M. Sonsteby,
Executive Vice President and
Chief Financial Officer

Dated: August 25, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, we have signed in our indicated capacities on August 25, 2008.

Name	Title
/s/ DOUGLAS H. BROOKS Douglas H. Brooks	Chairman of the Board, President, and Chief Executive Officer (Principal Executive Officer)
/s/ CHARLES M. SONSTEBY Charles M. Sonsteby	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ HARRIET EDELMAN Harriet Edelman	Director
/s/ MARVIN J. GIROUARD Marvin J. Girouard	Director
/s/ RONALD KIRK Ronald Kirk	Director
/s/ JOHN W. MIMS John W. Mims	Director
/s/ GEORGE R. MRKONIC George R. Mrkonic	Director
/s/ ERLE NYE Erle Nye	Director
/s/ JAMES E. OESTERREICHER James E. Oesterreicher	Director
/s/ ROSENDO G. PARRA Rosendo G. Parra	Director
/s/ CECE SMITH Cece Smith	Director

INDEX TO FINANCIAL STATEMENTS

The following is a listing of the financial statements which are attached hereto as part of Exhibit 13.

All schedules are omitted as the required information is inapplicable or the information is presented in the financial statements or related notes.

INDEX TO EXHIBITS

Exhibit	
3(a)	Certificate of Incorporation of the Registrant, as amended.(1)
3(b)	Bylaws of the Registrant.(2)
4(a)	Form of 5.75% Note due 2014.(3)
4(b)	Indenture between the Registrant and Citibank, N.A., as Trustee.(4)
4(c)	Registration Rights Agreement by and among the Registrant, Citigroup Global Marketing, Inc., and J.P. Morgan Securities, Inc., as representatives of the initial named purchasers of the Notes.(4)
10(a)	Registrant's 1991 Stock Option Plan for Non-Employee Directors and Consultants.(5)
10(b)	Registrant's 1992 Incentive Stock Option Plan.(5)
10(c)	Registrant's Stock Option and Incentive Plan.(6)
10(d)	Registrant's 1999 Stock Option and Incentive Plan for Non-Employee Directors and Consultants.(7)
10(e)	Transition Agreement dated June 5, 2003, by and among Registrant, Brinker International Payroll Company, L.P. and Mr. Ronald A. McDougall.(8)
10(f)	Consulting Agreement dated August 26, 2004, by and between Registrant and Mr. Ronald A. McDougall.(9)
10(g)	$300,000,000 Credit Agreement dated October 6, 2004, by and among Registrant, Brinker Restaurant Corporation, Bank of America, N.A., J.P. Morgan Chase Bank, Citibank, N.A., and Citigroup Global Markets, Inc.(10)
10(h)	Registrant's Performance Share Plan Description.(11)
10(i)	$350,000,000 Fixed Rate Promissory Note, dated August 15, 2006, by Registrant to J.P. Morgan Chase Bank, National Association.(12)
10(j)	$50,000,000 Uncommitted Line of Credit Agreement, dated August 17, 2006, by and between Registrant and Bank of America, N.A., and related Master Promissory Note.(12)
10(k)	Master Confirmation Agreement and Supplemental Confirmation, both dated April 24, 2007, by and between Registrant and Goldman, Sachs & Co.(13)
10(l)	$400,000,000 Term Loan Agreement, dated as of October 24, 2007, by and among Registrant, Brinker Restaurant Corporation, Citibank, N.A., Citigroup Markets, Inc., J.P. Morgan Securities, Inc., Bank of America, N.A., JPMorgan Chase Bank N.A., Wachovia Bank, National Association, and the Bank of Tokyo-Mitsubishi UFJ, Ltd.(14)
13	2008 Annual Report to Shareholders.(15)
21	Subsidiaries of the Registrant.(2)
23	Consent of Independent Registered Public Accounting Firm.(2)
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).(2)
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).(2)

Exhibit	
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.(2)
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.(2)
99(a)	Proxy Statement of Registrant.(16)

(1) Filed as an exhibit to annual report on Form 10-K for year ended June 28, 1995, and incorporated herein by reference.

(2) Filed herewith.

(3) Included in exhibit 4(d) to annual report on Form 10-K for year ended June 30, 2004, and incorporated herein by reference.

(4) Filed as an exhibit to registration statement on Form S-4 filed June 25, 2004, SEC File No. 333-116879, and incorporated herein by reference.

(5) Filed as an exhibit to annual report on Form 10-K for the year ended June 25, 1997, and incorporated herein by reference.

(6) Filed as Appendix A to Proxy Statement of Registrant, to be filed on or about September 11, 2008.

(7) Filed as an exhibit to quarterly report on Form 10-Q for the quarter ended December 28, 2005, and incorporated herein by reference.

(8) Filed as an exhibit to annual report on Form 10-K for the year ended June 25, 2003, and incorporated herein by reference.

(9) Filed as an exhibit to annual report on Form 10-K for the year ended June 30, 2004, and incorporated herein by reference.

(10) Filed as an exhibit to current report on Form 8K dated October 6, 2004, and incorporated herein by reference.

(11) Filed as an exhibit to quarterly report on Form 10-Q for the quarter ended March 29, 2006, and incorporated herein by reference.

(12) Filed as an exhibit to quarterly report on Form 10Q for the quarter ended September 27, 2006, and incorporated herein by reference.

(13) Filed as an exhibit to current report on Form 8K dated April 23, 2007, and incorporated herein by reference.

(14) Filed as an exhibit to quarterly report on Form 10Q for the quarter ended December 26, 2007, and incorporated herein by reference.

(15) Portions filed herewith, to the extent indicated herein.

(16) To be filed on or about September 11, 2008.

Exhibit 3(b)

BYLAWS

OF

BRINKER INTERNATIONAL, INC.

(A DELAWARE CORPORATION)

CONTENTS

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of the Corporation shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. Other Offices. The Corporation may also have offices at such other place or places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

MEETING OF SHAREHOLDERS

Section 1. Place of Meetings. All meetings of the shareholders for the election of directors shall be held in the City of Dallas, State of Texas, at such place within such city as may be fixed from time to time by the Board of Directors, or at such other place either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Meetings of shareholders for any other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings. Annual meetings of shareholders, shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, including the first week of November of each fiscal year, at which meeting the shareholders shall elect by a plurality vote the Board of Directors and transact such other business as may be properly brought before the meeting.

Section 3. Notice of Annual Meetings. Written notice of the annual meeting, stating the place, date and hour of the meeting, shall be given to each shareholder of record entitled to vote at such meeting not less than ten or more than 60 days before the date of the meeting.

Section 4. Special Meetings. Special meetings of the shareholders for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called at any time by order of the Board of Directors and shall be called by the Chairman of the Board, the President or the Secretary at the request in writing of a majority of the Board of Directors. Such requests shall state the purpose or purposes of the proposed special meeting. Business transacted at any special meeting of shareholders shall be limited to the purposes stated in the notice.

Section 5. Notice of Special Meetings. Written notice of a special meeting, stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given to each shareholder of record entitled to vote at such meeting not less than ten nor more than 60 days before the date of the meeting.

Section 6. Quorum. Except as otherwise provided by statute or the Certificate of Incorporation, the holders of stock having a majority of the voting power of the stock entitled to be voted thereat, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the shareholders. If, however, such quorum shall not be present or represented at any meeting of the shareholders, the shareholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time without notice (other than announcement at the meeting at which the adjournment is taken of the time and place of the adjourned meeting) until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

Section 7. Order of Business. The Chairman of the Board, or such other officer of the Corporation designated by a majority of the Board of Directors, will call meetings of the shareholders to order and will act as presiding officer thereof. Unless otherwise determined by the Board of Directors prior to the meeting, the presiding officer of the meeting of the shareholders will also determine the order of business and have the authority in his or her sol e discretion to regulate the conduct of any such meeting, including without limitation by (i) imposing restrictions on the persons (other than shareholders of the Corporation or their duly appointed proxies) who may attend any such shareholders' meeting, (ii) ascertaining whether any shareholder or his proxy may be excluded from any meeting of the shareholders based upon any determination by the

presiding officer, in his or her sole discretion, that any such person has unduly disrupted or is likely to disrupt the proceedings thereat, and (iii) determining the circumstances in which any person may make a statement or ask questions at any meeting of the shareholders.

At an annual meeting of the shareholders, only such business will be conducted or considered as is properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any s upplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by the presiding officer or by or at the direction of a majority of the Board of Directors, or (iii) otherwise properly requested to be brought before the meeting by a shareholder of the Corporation in accordance with the immediately succeeding sentence. For business to be properly requested by a shareholder to be brought before an annual meeting, the shareholder must (i) be a shareholder of record at the time of the giving of the notice of such annual meeting by or at the direction of the Board of Directors, (ii) be entitled to vote at such meeting, and (iii) have given timely written notice thereof to the Secretary in accordance with Article II, Section 7A of these Bylaws.

Nominations of persons for election as Directors of the Corporation may be made at an annual meeting of shareholders only by or at the direction of the Board of Directors. Any shareholder, (A) who is a shareholder of record at the time of the giving of the notice of an annual meeting of the shareholders by or at the direction of the Board of Directors, (B) who is entitled to vote for the election of directors at such meeting and (C) who has given timely written notice thereof to the Secretary in accordance with Article II, Section 7A of these Bylaws, may recommend one or more persons to be considered as a potential nominee or nominees for election as a Director or Directors of the Corporation at an annual meeting of the shareholders. Only persons who are nominated in accordance with this Article II, Section 7 will be eligible for election at a meeting of shareholders as Directors of the Corporation.

At a special meeting of shareholders, only such business may be conducted or considered as is properly brought before the meeting. To be properly brought before a special meeting, business must be (i) specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the Chairman of the Board, the President, a Vice President or the Secretary or (ii) otherwise properly brought before the meeting by the presiding officer or by or at the direction of a majority of the Board of Directors.

The determination of whether any business sought to be brought before any annual or special meeting of the shareholders is properly brought before such meeting in accordance with this Article II, Section 7, and whether any nomination of a person for election as a Director of the Corporation at any annual meeting of the shareholders was properly made in accordance with this Article II, Section 7, will be made by the presiding officer of such meeting. If the presiding officer determines that any business is not properly brought before such meeting, or any nomination was not properly made, he or she will so declare to the meeting and any such business will not be conducted or considered and any such nominatio n will be disregarded.

Section 7A. Advance Notice of Shareholder Proposals and Director Nominations.

To be timely for purposes of Article II, Section 7 of these Bylaws, a shareholder's notice must be addressed to the Secretary and delivered or mailed to and received at the principal executive offices of the Corporation not less than one hundred twenty (120) calendar days prior to the anniversary date of the date (as specified in the Corporation's proxy materials for its immediately preceding annual meeting of shareholders) on which the Corporation first mailed its proxy materials for its immediately preceding annual meeting of shareholders; provided, however, that in the event the annual meeting is called for a date that is not within thirty (30) calendar days of the anniversary date of the date on which the immediately preceding annual meeting of shareholders was called, to be timely, notice by the shareholder must be so received not later than the close of business on the tenth (10th) calendar day following the d ay on which public announcement of the date of the annual meeting is first made. In no event will the public announcement of an adjournment of an annual meeting of shareholders commence a new time period for the giving of a shareholder's notice as provided above.

In the case of a request by a shareholder for business to be brought before any annual meeting of shareholders, a shareholder's notice to the Secretary must set forth as to each matter the shareholder proposes to bring before the annual meeting (i) a description in reasonable detail of the business desired to brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on the Corporation's books, of the shareholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made, (iii) the class and number of shares of the Corporation that are owned beneficially and of record by the shareholder proposing such business and by the beneficial owner, if any, on whose behalf the proposal is made, and (iv) any material interest of such shareholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made in such business.

In the case of a recommendation by a shareholder of a person to be considered as a potential nominee for election as a director of the Corporation at any annual meeting of shareholders, a shareholder notice to the Secretary must set forth (i) the shareholder's intent to nominate one or more persons to be a potential nominee or nominees for election as a director of the Corporation, the name of each such nominee proposed by the shareholder giving the notice, and the reason for making such nomination at the annual meeting, (ii) the name and address, as they appear on the Corporation's books, of the shareholder proposing such nomination and the beneficial owner, if any, on whose behalf the nomination is proposed, (iii) the class and number of shares of the Corporation that are owned beneficially and of record by the shareholder proposing such nomination and by the beneficial owner, if any, on whose behalf the nomination is proposed, and (iv) any material interest of such shareholder proposing such nomination and the beneficial owner, if any, on whose behalf the proposal is made, (v) a description of all arrangements or understandings between or among any of (A) the shareholder giving the notice, (B) each nominee, and (C) any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder giving the notice, (vi) such other information regarding each nominee proposed by the shareholder giving the notice as would be required to be included in a proxy statement filed in accordance with the proxy rules of the Securities an d Exchange Commission had the nominee been nominated, or intended to be nominated, by the Board, and (vii) the signed consent of each nominee proposed by the shareholder giving the notice to serve as a director of the Company if so elected. All recommendations will be presented to the Board of Directors, or the appropriate committee of the Board of Directors, for consideration.

Notwithstanding the provisions of Sections 7 and 7A of this Article II, a shareholder must also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in Sections 7 and 7A of this Article II. Nothing in Sections 7 and 7A of this Article II will be deemed to affect any rights of shareholders to request inclusion of proposals in the Corporation's proxy statement in accordance with the provisions of Rule 14a-8 under the Securities Exchange Act of 1934, as amended.

For purposes of this Article II, Section 7A, "public announcement" means disclosure in a press release reported by the Dow Jones News Service, Associated Press, or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the S ecurities Exchange Act of 1934, as amended, or furnished to shareholders.

Section 8. Voting. Except as otherwise provided in the Certificate of Incorporation, each shareholder shall, at each meeting of the shareholders, be entitled to one vote in person or by proxy for each share of stock of the Corporation held by him and registered in his name on the books of the Corporation on the date fixed pursuant to the provisions of Section 5 of Article VII of these Bylaws as the record date for the determination of shareholders who shall be entitled to notice of and to vote at such meeting. Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held directly or indirectly by the Corporation, shall not be entitled to vote. Any vote by stock of the Corporation may be given at any meeting of the shareholders by the shareholder entitled thereto, in person or by his proxy appointed by an instrument in writing subscribed by such shareholder or by his attorney thereunto duly authorized and delivered to the Secretary of the Corporation or to the secretary of the meeting; provided, however, that no proxy shall be voted or acted upon after three years from its date, unless said proxy shall provide for a longer period. Each proxy shall be revocable unless expressly provided therein to be irrevocable and unless otherwise made irrevocable by law. At all meetings of the shareholders all matters, except where other provision is made by law, the Certificate of Incorporation or these Bylaws, shall be decided by the vote of a majority of the votes cast by the shareholders present in person or by proxy and entitled to vote thereat, a quorum being present. Unless demanded by a shareholder of the Corporation present in person or by proxy at any meeting of the shareholders and entitled to vote thereat, or so directed by the chairman of the meeting, the vote thereat on any question other than the election or removal of directors need not be by written ballot. Upon a demand of any such shareholder for a vote by written ballot on any question or at the direction of such chairman that a vote by written ballot be taken on any question, such vote shall be taken by written ballot. On a vote by written ballot, each ballot shall be signed by the shareholder voting, or by his proxy, if there be such a proxy, and shall state the number of shares voted.

Section 9. List of Shareholders. It shall be the duty of the Secretary or other officer of the Corporation who shall have charge of its stock ledger, either directly or through another officer of the Corporation designated by him or through a transfer agent appointed by the Board of Directors, to prepare and make, at least ten days before every meeting of the shareholders, a complete list of the shareholders entitled to vote thereat, arranged in alphabetical order, and showing the address of each shareholder and the number of shares registered in the name of each shareholder. Such list shall be open to the examination of any shareholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to said meeting, either at a place within the city where said meeting is to be held, which place shall be specified in the notice of said meeting, or, if not so specified, at the place where said meeting is to be held. The list shall also be produced and kept at the time and place of said meeting during the whole time thereof, and may be inspected by any shareholder of

record who shall be present thereat. The stock ledger shall be the only evidence as to who are the shareholders entitled to examine the stock ledger, such list or the books of the Corporation, or to vote in person or by proxy at any meeting of shareholders.

Section 10. Inspectors of Votes. At each meeting of the shareholders, the chairman of such meeting may appoint up to two Inspectors of Votes to act thereat, unless the Board of Directors shall have theretofore made such appointments. Each Inspector of Votes so appointed shall first subscribe an oath or affirmation faithfully to execute the duties of an Inspector of Votes at such meeting with strict impartiality and according to the best of his ability. Such Inspectors of Votes, if any, shall take charge of the ballots, if any, at such meeting and after the balloting thereat on any question shall count the ballots cast thereon and shall make a report in writing to the secretary of such meeting of the results thereof. An Inspector of Votes need not be a shareholder of the Corporation, and any officer of the Corporation may be an Inspector of Votes on any question other than a vote for or against his election to any position with the Corporation or on any other question in which he may be directly interested.

Section 11. Action Without a Meeting. Any action required to be taken at any annual or special meeting of shareholders of the Corporation, or any action which may be taken at any annual or special meeting of shareholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes (determined as of the record date of such consent) that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereat were present and voted. The record date of a written consent shall be determined by the Board of Directors and shall be not later than 10 days after the date on which a shareholder gives notice to the Board of Directors of (i) the proposed action to be taken by consent and (ii) the date on which the first written consent to take such action has been executed. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those shareholders owning shares as of the record date who have not consented in writing.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Powers. The business and affairs of the Corporation shall be managed by its Board of Directors, which shall have and may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute, the Certificate of Incorporation or these Bylaws directed or required to be exercised or done by the shareholders.

Section 2. Number, Qualification and Term of Office. The number of directors which shall constitute the whole Board of Directors shall not be less than one nor more than ten. The number of directors which shall constitute the whole Board of Directors shall be determined by resolution of the Board of Directors or by the shareholders at any annual or special meeting or otherwise pursuant to action of the shareholders. Directors need not be shareholders. The directors shall be elected at the annual meeting of the shareholders, except as provided in Sections 4 and 5 of this Article III, and each director elected shall hold office until the annual meeting next after his election and until his successor is elected and qualified, or until his death or retirement or until he shall resign or shall be removed in the manner hereinafter provided.

Section 3. Resignation. Any director may resign at any time by giving written notice of his resignation to the Corporation. Any such resignation shall take effect at the time specified therein, or, if the time when it shall become effective shall not be specified therein, then it shall take effect immediately upon its receipt by the Secretary. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4. Removal of Directors. Any director may be removed, either with or without cause, at any time, by the affirmative vote of a majority in voting interest of the shareholders of record of the Corporation entitled to vote, given at any annual or special meeting of the shareholders called for that purpose. The vacancy in the Board of Directors caused by any such removal may be filled by the shareholders at such meeting or, if not so filled, by the Board of Directors as provided in Section 5 of this Article III.

Section 5. Vacancies. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the annual meeting next after their election and until their successors are elected and qualified, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute.

MEETINGS OF THE BOARD OF DIRECTORS

Section 6. Place of Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 7. Annual Meetings. The first meeting of each newly elected Board of Directors shall be held immediately following the annual meeting of shareholders and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. In the event such meeting is not held immediately following the annual meeting of shareholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver signed by all of the directors.

Section 8. Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board of Directors.

Section 9. Special Meetings; Notice. Special meetings of the Board of Directors may be called by the Chairman of the Board, President or Secretary on 24 hours notice to each director, either personally or by telephone or by mail, telegraph, telex, cable, wireless or other form of recorded communication;

special meetings shall be called by the Chairman of the Board, President or Secretary in like manner and on like notice on the written request of two directors. Notice of any such meeting need not be given to any director, however, if waived by him in writing or by telegraph, telex, cable, wireless or other form of recorded communication, or if he shall be present at such meeting.

Section 10. Quorum and Manner of Acting. At all meetings of the Board of Directors, a majority of the directors at the time in office shall constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 11. Remuneration. Unless otherwise expressly provided by resolution adopted by the Board of Directors, none of the directors shall, as such, receive my stated remuneration for his services; but the Board of Directors may at any time and from time to time by resolution provide that a specified sum shall be paid to any director of the Corporation, either as his annual remuneration as such director or member of any committee of the Board of Directors or as remuneration for his attendance at each meeting of the Board of Directors or any such committee. The Board of Directors may also likewise provide that the Corporation shall reimburse each director for any expenses paid by him on account of his attendance at any meeting. Nothing in this Section 11 shall be construed to preclude any director from serving the Corporation in any other capacity and receiving remuneration thereof.

COMMITTEES OF DIRECTORS

Section 12. Executive Committee; How Constituted and Powers. The Board of Directors may, in its discretion, by resolution passed by a majority of the whole Board of Directors, designate an Executive Committee consisting of one or more of the directors of the Corporation. Subject to the provisions of Section 141 of the General Corporation Law of the State of Delaware, the Certificate of Incorporation, and these Bylaws, the Executive Committee shall have and may exercise, when the Board of Directors is not in session, all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and shall have the power to authorize the seal of the Corporation to be affixed to all papers which may require it; but the Executive Committee shall not have the power to amend the Certificate of Incorporation (except that the Executive Committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors as provided in the Delaware General Corporation Law, fix the designations and any of the preferences or rights of such shares relating to dividends, redemptions, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares or any series), to fill vacancies in the Board of Directors or the Executive Committee, to adopt an agreement of merger or consolidation under Section 251 or 252 of the Delaware General Corporation Law, to recommend to the shareholders the sale, lease or exchange of all or substantially all of the Corporation’s property and assets, to recommend to the shareholders a dissolution of the Corporation or a revocation of a dissolution, or to amend the Bylaws of the Corporation. Except as otherwise provided herein or in the Corporation’s Certificate of Incorporation, the Executive Committee shall have the power and authority to authorize the issuance of

common stock and grant and authorize options and other rights with respect to such issuance, to declare a dividend, to adopt a certificate of ownership and merger pursuant to Section 253 of the Delaware General Corporation Law, and to fill vacancies in any other committee of directors elected or approved by officers of the Corporation. The Board of Directors shall have the power at any time, by resolution passed by a majority of the whole Board of Directors, to change the membership of the Executive Committee, to fill all vacancies in it, or to dissolve it, with or without cause.

Section 13. Organization. The Chairman of the Executive Committee, to be selected by the Board of Directors, shall act as chairman at all meetings of the Executive Committee and the Secretary shall act as secretary thereof. In case of the absence from any meeting of the Executive Committee of the Chairman of the Executive Committee or the Secretary, the Executive Committee may appoint a chairman or secretary, as the case may be, of the meeting.

Section 14. Meetings. Regular meetings of the Executive Committee, of which no notice shall be necessary, may be held on such days and at such places, within or without the State of Delaware, as shall be fixed by resolution adopted by a majority of the Executive Committee and communicated in writing to all its members. Special meetings of the Executive Committee shall be held whenever called by the Chairman of the Executive Committee or a majority of the members of the Executive Committee then in office. Notice of each special meeting of the Executive Committee shall be given by mail, telegraph, telex, cable, wireless or other form of recorded communication or be delivered personally or by telephone to each member of the Executive Committee not later than the day before the day on which such meeting is to be held. Notice of any such meeting need not be given to any member of the Executive Committee, however, if waived by him in writing or by telegraph, telex, cable, wireless or other form of recorded communication, or if he shall be present at such meeting; and any meeting of the Executive Committee shall be a legal meeting without any notice thereof having been given, if all the members of the Executive Committee shall be present thereat. Subject to the provisions of this Article III, the Executive Committee, by resolution adopted by a majority of the whole Committee, shall fix its own rules of procedure.

Section 15. Quorum and Manner of Acting. A majority of the Executive Committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at a meeting thereof at which a quorum is present shall be the act of the Committee.

Section 16. Other Committees. The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board of Directors, designate one or more other committees consisting of one or more directors of the Corporation, which, to the extent provided in said resolution or resolutions, shall have and may exercise, subject to the provisions of Section 141 of the General Corporation Law of the State of Delaware, the Certificate of Incorporation and these Bylaws, the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and shall have the power to authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power to fill vacancies in the Board of Directors, the Executive Committee or any other committee or in their respective membership, appoint or remove officers of the Corporation, or authorize the issuance of shares of the capital stock of the corporation except that such a committee may, to the extent provided in said resolutions, grant and authorize options and other rights with respect to the common stock of the Corporation pursuant to and in accordance with any plan approved by the Board of Directors. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. A majority of all the members of any such committee may determine its action and fix the time and place of its meetings and specify what notice thereof, if any, shall be given, unless the Board of Directors shall otherwise provide. The Board of Directors shall have power to change the members of any such committee at any time to fill vacancies, and to discharge any such committee, either with or without cause, at any time.

Section 17. Alternate Members of Committees. The Board of Directors may designate one or more directors as alternate members of the Executive Committee or any other committee, who may replace any absent or disqualified member at any meeting of the committee, or if none be so appointed, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

Section 18. Minutes of Committees. Each committee shall keep regular minutes of its meetings and proceedings and report the same to the Board of Directors at the next meeting thereof.

GENERAL

Section 19. Actions Without a Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto

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in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or the committee.

Section 20. Presence at Meetings by Means or Communications Equipment. Members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 20 shall constitute presence in person at such meeting.

ARTICLE IV

NOTICES

Section 1. Type of Notice. Whenever, under the provisions of the statutes, the Certificate of Incorporation or these Bylaws, notice is required to be given to any director or shareholder, it shall not be construed to mean personal notice, but such notice may be given in writing, in person or by mail, addressed to such director or shareholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given in any manner permitted by Article III hereof and shall be deemed to be given at the time when first transmitted by the method of communication so permitted.

Section 2. Waiver of Notice. Whenever any notice is required to be given under the provisions of the statutes, the Certificate of Incorporation or these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto, and transmission of a waiver of notice by a director or shareholder by mail, telegraph, telex, cable, wireless or other form of recorded communication may constitute such a waiver.

ARTICLE V

OFFICERS

Section 1. Elected and Appointed Officers. The elected officers of the Corporation shall be a Chief Executive Officer, a President, one or more Executive Vice Presidents, Senior Vice Presidents and Vice Presidents, with or without such descriptive titles as the Board of Directors shall deem appropriate, a Secretary and a Treasurer and, if the Board of Directors so elects, a Chairman of the Board (who shall be a director). The Board of Directors or the Executive Committee of the Board of Directors by resolution also may appoint one or more Assistant Vice Presidents, Assistant Treasurers, Assistant Secretaries, and such other officers and agents as from time to time may appear to be necessary or advisable in the conduct of the affairs of the Corporation.

Section 2. Time of Election or Appointment. The Board of Directors at its annual meeting shall elect or appoint, as the case may be, the officers to fill the positions designated in or pursuant to Section 1 of this Article V. Officers of the Corporation may also be elected or appointed, as the case may be, at any other time.

Section 3. Salaries of Elected Officers. The salaries of all elected officers of the Corporation shall be fixed by the Board of Directors.

Section 4. Term. Each officer of the Corporation shall hold his office until his successor is elected or appointed and qualified or until his earlier resignation or removal. Any officer may resign at any time upon written notice to the Corporation. Any officer elected or appointed by the Board of Directors or the Executive Committee may be removed at any time by the affirmative vote of a majority of the whole Board of Directors. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise may be filled by the Board of Directors or the appropriate committee thereof.

Section 5. Chairman of the Board. The Chairman of the Board shall preside, if present, at all meetings of the Board of Directors and the shareholders and shall perform such other reasonable duties as may be prescribed from time to time by the Board of Directors or by the Bylaws.

Section 6. Chief Executive Officer. The Chief Executive Officer shall have general supervision of the affairs of the Corporation and shall have general and active control of all its business. He shall preside, in the absence of the Chairman of the Board, at all meetings of shareholders. He shall see that all orders and resolutions of the Board of Directors and the

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shareholders are carried into effect. He shall have general authority to execute bonds, deeds, and contracts in the name of the Corporation and affix the corporation seal thereto; to sign stock certificates; to cause the employment or appointment of such officers, employees, and agents of the Corporation as the proper conduct of operations may require, and to fix their compensation, subject to the provisions of these Bylaws; to remove or suspend any employee or agent who was employed or appointed under his authority or under authority of an officer subordinate to him; to suspend for cause, pending final action by the authority that elected or appointed him, any officer subordinate to him; in coordination with the other officers and directors of the Corporation, to develop the Corporation's basic strategic and long-range plans, including marketing programs, expansion plans and financial structure; and, in general, to exercise all of the powers of authority usually appertaining to the chief executive officer of a corporation, except as otherwise provided in these Bylaws.

Section 7. President. The President shall be the Chief Operating Officer of the Corporation and, as such, shall have, subject to review and approval of the Chief Executive Officer, the responsibility for the day-to-day operations of the Corporation.

Section 8. Executive Vice Presidents. In the absence of the President or in the event of his inability or refusal to act, the Executive Vice President (or, if there be more than one, the Executive Vice Presidents in the order designated or, in the absence of any designation, in the order of their election) shall perform the duties of the President and, when so acting, shall have all of the powers of and be subject to all of the restrictions upon the President. The Executive Vice Presidents shall perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer may from time to time prescribe. The officer in charge of finance, if one is so elected, shall also perform the duties and assume the responsibilities described in Section 14 of this Article for the Treasurer.

Section 9. Senior Vice Presidents. In the absence of the Executive Vice President or in the event of his inability or refusal to act, the Senior Vice President (or, if there be more than one, the Senior Vice Presidents in the order designated or, in the absence of any designation, in the order of their election) shall perform the duties of the Executive Vice President and, when so acting, shall have all of the powers of and be subject to all of the restrictions upon the Executive Vice President. The Senior Vice Presidents shall perform such other duties and have such other powers as the Board of Directors, the Chief Executive Officer, or the Chief Operating Officer may from time to time prescribe. The officer in charge of finance, if one is so elected, shall also perform the duties and assume the responsibilities described in Section 14 of this Article for the Treasurer.

Section 10. Vice Presidents. In the absence of the Senior Vice President or in the event of his inability or refusal to act, the Vice President (or, if there be more than one, the Vice Presidents in the order designated or, in the absence of any designation, in the order of their election) shall perform the duties of the Senior Vice President and, when so acting, shall have all of the powers of and be subject to all of the restrictions upon the Senior Vice President. The Vice Presidents shall perform such other duties and have such other powers as the Board of Directors, the Chief Executive Officer, or the Chief Operating Officer may from time to time prescribe. The officer in charge of finance, if one is so elected, shall also perform the duties and assume the responsibilities described in Section 14 of this Article for the Treasurer.

Section 11. Assistant Vice Presidents. In the absence of a Vice President or in the event of his inability or refusal to act, the Assistant Vice President (or, if there be more than one, the Assistant Vice Presidents in the order designated or of their election or in such other manner as the Board of Directors shall determine) shall perform the duties and exercise the powers of that Vice President and shall perform such other duties and have such other powers as the Board of Directors, the Chief Executive Officer, the Chief Operating Officer, or the Vice President under whose supervision he is appointed may from time to time prescribe.

Section 12. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of the shareholders and record all proceedings of such meetings in a book to be kept for that purpose and shall perform like duties for the Executive Committee or other standing committees when required. He shall give, or cause to be given, notice of all meetings of the shareholders and special meetings of the Board of Directors and shall perform such other duties as may be prescribed by the Board of Directors or the Chief Executive Officer, under whose supervision he shall be. He shall have custody of the corporate seal of the Corporation and he, or an Assistant Secretary, shall have authority to affix the same to any instrument requiring it, and when so affixed, it may be attested by his signature or by the signature of such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature. The Secretary shall keep and account for all books, documents, papers, and records of the Corporation except those for which some other officer or agent is properly accountable. He shall have authority to sign stock certificates and shall generally perform all of the duties usually appertaining to the office of the secretary of a corporation.

Section 13. Assistant Secretaries. In the absence of the Secretary or in the event of his inability or refusal to act, the Assistant Secretary (or, if there be more than one, the Assistant Secretaries in the order determined by the Board of Directors or, if there be no such determination, in the order of their appointment) shall perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board of Directors, the Chief Executive Officer, or the Secretary may from time to time prescribe.

Section 14. Treasurer. The Treasurer (or the Vice President in charge of finance, if one is so elected) shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the Corporation as ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chairman of the Board and the Board of Directors, at its regular meetings or when the Board of Directors so requires, an account of all of his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, he shall give the Corporation a bond (which shall be reviewed every six years) in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement, or removal from office, of all books, papers, vouchers, money, and other property or whatever kind in his possession or under his control belonging to the Corporation. The Treasurer shall perform such other duties as may be prescribed by the Board of Directors, the Chief Executive Officer, or any such officer in charge of finance.

Section 15. Assistant Treasurers. The Assistant Treasurer or Assistant Treasurers shall assist the Treasurer and, in the absence of the Treasurer or in the event of his inability or refusal to act, the Assistant Treasurer (or if there be more than one, the Assistant Treasurers in the order determined by the Board of Directors or, if there is no such determination, in the order of their appointment), shall perform the duties and exercise the powers of the Treasurer, and shall perform such other duties and have such other powers as the Board of Directors, the Chief Executive Officer, or the Treasurer may from time to time prescribe.

ARTICLE VI

INDEMNIFICATION

Section 1. Actions Other Than by or in the Right of the Corporation. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or contemplated action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Corporation), by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise (all of such persons being hereafter referred to in this Article as a "Corporate Functionary"), against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, or conviction, or upon a plea of nolo contendre or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal action or proceeding, that he had reasonable cause to believe that his conduct was unlawful.

Section 2. Actions by or in the Right of the Corporation. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or contemplated action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a Corporate Functionary against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, except that no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable to the Corporation, unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. Determination of Right to Indemnification. Any indemnification under Sections 1 or 2 of this Article VI (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that

indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Sections 1 or 2 of this Article VI. Such determination shall be made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the shareholders.

Section 4. Right to Indemnification. Notwithstanding the other provisions of this Article VI, to the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 1 or 2 of this Article VI, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorney's fees) actually and reasonably incurred by him in connection therewith.

Section 5. Prepaid Expenses. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case, upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined he is entitled to be indemnified by the Corporation as authorized in this Article VI.

Section 6. Other Rights and Remedies. The indemnification provided by this Article VI shall not be deemed exclusive of any other rights to which any person seeking indemnification may be entitled under any by-law, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 7. Insurance. Upon resolution passed by the Board of Directors, the Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article VI.

Section 8. Mergers. For purposes of this Article VI, references to "the Corporation" shall include, in addition to the resulting or surviving corporation, constituent corporations (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise shall stand in the same position under the provisions of this Article VI with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

ARTICLE VII

CERTIFICATES OF STOCK

Section 1. Right to Certificate. Every holder of stock in the Corporation shall be entitled to have a certificate, signed by, or in the name of the Corporation by, the Chairman of the Board, the President or a Vice President, and the Secretary or an Assistant Secretary of the Corporation certifying the number of shares owned by him in the Corporation. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in Section 202 of the General Corporation Law of the State of Delaware, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each shareholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Section 2. Facsimile Signatures. Any of or all the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same

effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 3. New Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation and alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed or the issuance of such new certificate.

Section 4. Transfers. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation, subject to any proper restrictions on transfer, to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 5. Record Date. In order that the Corporation may determine the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be less than ten nor more than 60 days before the date of such meeting, nor more than 60 days prior to any other action. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 6. Registered Shareholders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not provided by the laws of the State of Delaware.

ARTICLE VIII

GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors (but not any committee thereof) at any regular meeting, pursuant to law. Dividends may be paid in cash, in property or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation.

Section 2. Reserves. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in their absolute discretion, thinks proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the Board of Directors shall think conducive to the interest of the Corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

Section 3. Annual Statement. The Board of Directors shall present at each annual meeting, and at any special meeting of the shareholders when called for by vote of the shareholders, a full and clear statement of the business and condition of the Corporation.

Section 4. Checks. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time prescribe.

Section 5. Fiscal Year. The fiscal year of the Corporation shall be determined by the Board of Directors.

Section 6. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the word “Delaware”. The seal may be used by causing it or a facsimile thereof to be impressed, affixed, reproduced or otherwise.

ARTICLE IX

AMENDMENTS

These Bylaws may be altered, amended or repealed or new Bylaws may be adopted by the shareholders or by the Board of Directors at any regular meeting of the shareholders or the Board of Directors or at any special meeting of the shareholders or the Board of Directors if notice of such alteration, amendment, repeal or adoption of new Bylaws be contained in the notice of such special meeting.

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EXHIBIT 13

BRINKER INTERNATIONAL, INC.

SELECTED FINANCIAL DATA

(In thousands, except per share amounts and number of restaurants)

	Fiscal Years 2008	2007	2006	2005	2004(a)
Income Statement Data:					
Revenues	$ 4,235,223	$ 4,376,904	$ 4,151,291	$ 3,749,539	$ 3,541,005
Operating Costs and Expenses:					
Cost of sales	1,200,763	1,222,198	1,160,931	1,059,822	980,717
Restaurant expenses	2,397,908	2,435,866	2,283,737	2,085,529	1,926,843
Depreciation and amortization	165,229	189,162	190,206	179,908	167,802
General and administrative	170,703	194,349	207,080	153,116	150,558
Other gains and charges	203,950	(8,999)	(17,262)	52,779	66,783
Total operating costs and expenses	4,138,553	4,032,576	3,824,692	3,531,154	3,292,703
Operating income	96,670	344,328	326,599	218,385	248,302
Interest expense	45,862	30,929	22,857	25,260	11,495
Other, net	(4,046)	(5,071)	(1,656)	1,526	1,742
Income before provision for income taxes	54,854	318,470	305,398	191,599	235,065
Provision for income taxes	3,132	88,421	91,448	33,143	82,882
Income from continuing operations	51,722	230,049	213,950	158,456	152,183
(Loss) income from discontinued operations, net of taxes	—	—	(1,555)	1,763	(1,265)
Net income	$ 51,722	$ 230,049	$ 212,395	$ 160,219	$ 150,918
Basic net income per share:					
Income from continuing operations	$ 0.50	$ 1.90	$ 1.66	$ 1.19	$ 1.06
(Loss) income from discontinued operations	$ —	$ —	$ (0.01)	$ 0.02	$ (0.01)
Net income per share	$ 0.50	$ 1.90	$ 1.65	$ 1.21	$ 1.05
Diluted net income per share:					
Income from continuing operations	$ 0.49	$ 1.85	$ 1.63	$ 1.14	$ 0.99
(Loss) income from discontinued operations	$ —	$ —	$ (0.01)	$ 0.01	$ (0.01)
Net income per share	$ 0.49	$ 1.85	$ 1.62	$ 1.15	$ 0.98
Basic weighted average shares outstanding	103,101	121,062	128,766	132,795	144,108
Diluted weighted average shares outstanding	104,897	124,116	130,934	141,344	158,609
Balance Sheet Data:					
Working capital (deficit)(b)	$ (71,448)	$ 111,706	$ 246,649	$ 375,283	$ 573,083
Total assets	2,193,122	2,318,021	2,221,779	2,156,124	2,254,424
Long-term obligations(b)	1,071,864	969,468	629,600	607,208	838,502
Shareholders' equity	595,089	805,089	1,075,832	1,100,282	1,010,422
Cash dividends per share	$ 0.42	$ 0.34	$ 0.20	$ —	$ —
Number of Restaurants Open (End of Period):					
Company-operated	1,265	1,312	1,290	1,268	1,194
Franchised/Joint venture	623	489	332	320	282
Total	1,888	1,801	1,622	1,588	1,476

(a) Fiscal year 2004 consisted of 53 weeks while all other periods presented consisted of 52 weeks.

(b) Prior year amounts have been updated to reflect the fiscal 2008 classification of assets held for sale in the consolidated balance sheets (Note 2).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand Brinker International, our operations, and our current operating environment. For an understanding of the significant factors that influenced our performance during the past three fiscal years, the MD&A should be read in conjunction with the consolidated financial statements and related notes included in this annual report. Our MD&A consists of the following sections:

- **Overview**—a general description of our business and the casual dining segment of the restaurant industry

- **Results of Operations**—an analysis of our consolidated statements of income for the three years presented in our consolidated financial statements

- **Liquidity and Capital Resources**—an analysis of cash flows including capital expenditures, aggregate contractual obligations, share repurchase activity, known trends that may impact liquidity, and the impact of inflation

- **Critical Accounting Estimates**—a discussion of accounting policies that require critical judgments and estimates

OVERVIEW

We are principally engaged in the ownership, operation, development, and franchising of the Chili's Grill & Bar ("Chili's"), On The Border Mexican Grill & Cantina ("On The Border"), Maggiano's Little Italy ("Maggiano's") and Romano's Macaroni Grill ("Macaroni Grill") restaurant brands. At June 25, 2008, we owned, operated, or franchised 1,888 restaurants. In the first quarter of fiscal 2008 we announced our intention to sell Macaroni Grill and presented the results of the brand's operations as discontinued operations in our quarterly financial statements during fiscal 2008. In August 2008, we entered into an agreement with Mac Acquisition LLC, an affiliate of Golden Gate Capital, for the sale of a majority interest in Macaroni Grill. Per terms of the agreement, we will receive proceeds of $131.5 million in cash, of which $6.0 million will be contributed to the new entity for a 19.9% continuing ownership interest in the brand. We will also provide corporate support services for the new entity for one year with an option for one additional year. As a result of this agreement, Macaroni Grill has now been included in our results from continuing operations for fiscal 2008 and prior years. The transaction is expected to close in the second quarter of fiscal 2009 subject to customary closing conditions. Once the sale of the brand is complete, we will account for our interest in the ongoing operations through an equity method investment. In September 2005, we 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.

Fiscal 2008 was a challenging year for Brinker and the casual dining industry. While we experienced encouraging trends in comparable restaurant sales in the latter half of the year, our operations continue to be negatively impacted by higher labor, fuel and commodity costs which have taken a toll on consumer confidence and the overall health of the economy.

This difficult operating environment highlighted the need to build a dynamic business model that can achieve sustainable growth in a variety of economic environments in order to create long-term value for our shareholders. The basis of this model will be grounded in our five areas of focus—hospitality; pace and convenience; food and beverage excellence; restaurant atmosphere; and international expansion. Our organization is focused on these five priorities that are designed to grow our base business by engaging and delighting our guests, differentiating our brands from competitors throughout the industry, reducing costs associated with managing our restaurants and establishing a strong presence in key markets around the world.

During fiscal 2008, these strategies resulted in the following highlights:

- Introduced successful menu items across our brands as a result of our focus on food and beverage excellence, including Honey Chipotle Chicken Crispers and updates on the classic Big Mouth Burger at Chili's, Border Smart selections at On the Border, and award-winning Little Italy favorites at Maggiano's;

- Innovated ToGo at Chili's through developments in technology and processes with positive results and plans to expand into fiscal year 2009;

- Re-imaged 73 Chili's restaurants, resulting in mid-single digit increases in sales, with plans to continue our re-image program in fiscal year 2009 at a lower level of investment per restaurant;

- Experienced significant growth in favorable guest feedback across the brands as a result of the company's focus on both hospitality and food and beverage excellence;

- Sold 76 Chili's restaurants to our franchisee, ERJ Dining IV, LLC, with a commitment to develop an additional 49 new Chili's restaurants;

- Increased royalty revenues from franchisees by approximately 60% percent;

- Internationally, opened one company-owned restaurant and 31 franchised restaurants, including eight under the company's joint investment with CMR, S.A.B. de C.V. to develop approximately 50 Chili's and Maggiano's restaurants in Mexico, and entered into 10 additional development agreements with franchisees with commitments to build 56 restaurants;

- Domestically, opened 70 company-owned restaurants (26 net of closures) and 43 franchised restaurants and entered into three development agreements with franchisees, with commitments to build 77 restaurants;

- Increased quarterly dividend by 22 percent to $0.11 per share and paid out $42.9 million in dividends; and

- Repurchased 9.1 million shares of our common stock for $240.3 million.

During fiscal 2008 we also made some decisions that negatively impacted our financial results in order to lay the foundation for achieving profitable long-term growth in fiscal 2009 and beyond. As mentioned above, we committed to a plan to sell the Macaroni Grill brand due to its declining performance. As a result, we incurred impairment charges of $152.7 million to write down the assets of Macaroni Grill to fair value less costs to sell during fiscal 2008. In addition, we evaluated our portfolio of assets and supporting infrastructure as well as refined our projected domestic company-owned restaurant development schedule for fiscal 2009 and 2010. These decisions resulted in $82.1 million of special charges during the year primarily related to restaurant closures, the adjustment of our development strategy and corporate restructuring.

With our areas of focus clearly defined and our team members aligned and united behind common goals, we are committed to driving growth inside the four walls of our existing restaurants. We will restrict future development to a limited number of new restaurants that meet or exceed our internal hurdle rates to ensure appropriate returns and shift a greater proportion of new restaurant development to our expanding franchise network in the United States and internationally. We expect to open approximately 15 company-owned restaurants in fiscal 2009 and even fewer restaurants in fiscal 2010. As a result, our overall revenues will now be driven in a more balanced manner of comparable restaurant sales and increasing franchise royalties. Our fiscal 2009 capital expenditure budget also includes up to $25 million for re-images at Chili's restaurants and up to $30 million in kitchen technology that we believe will dramatically change the casual dining experience for our guests. Finally, we will continue our focus on creating a culture of hospitality through additional team member training as well as utilization of our Guest Experience Measurement program. We expect to realize operating margin improvement from this focus on our existing restaurants and less effort towards opening new restaurants, the removal of underperforming restaurants from our system and a more focused organization.

As evidenced during fiscal 2008, the casual dining industry is a highly competitive business which is sensitive to changes in economic conditions, trends in lifestyles and fluctuating costs. We are encouraged by the successes we realized from our initiatives in place during 2008 to address these challenges and remain confident in the financial health of our company, the long-term prospects of the industry as well as in our ability to perform effectively in an extremely competitive marketplace and a variety of economic environments.

RESULTS OF OPERATIONS FOR FISCAL YEARS 2008, 2007, AND 2006

The following table sets forth income and expense items as a percentage of total revenues for the periods indicated:

	Percentage of Total Revenues Fiscal Years		
	2008	2007	2006
Revenues	100.0%	100.0%	100.0%
Operating Costs and Expenses:			
Cost of sales	28.4%	27.9%	28.0%
Restaurant expenses	56.6%	55.7%	55.0%
Depreciation and amortization	3.9%	4.3%	4.6%
General and administrative	4.0%	4.4%	5.0%
Other gains and charges	4.8%	(0.2)%	(0.5)%
Total operating costs and expenses	97.7%	92.1%	92.1%
Operating income	2.3%	7.9%	7.9%
Interest expense	1.1%	0.7%	0.5%
Other, net	(0.1)%	(0.1)%	0.0%
Income before provision for income taxes	1.3%	7.3%	7.4%
Provision for income taxes	0.1%	2.0%	2.2%
Income from continuing operations	1.2%	5.3%	5.2%
Loss from discontinued operations, net of taxes	0.0%	0.0%	(0.1)%
Net income	1.2%	5.3%	5.1%

REVENUES

Revenues for fiscal 2008 decreased to $4,235.2 million, a 3.2% decrease from the $4,376.9 million generated for fiscal 2007. The decrease in revenue was primarily attributable to declines in capacity at company-owned restaurants as well as a decrease in comparable restaurant sales as follows:

	Fiscal Year Ended June 25, 2008			
	Capacity	Comparable Sales	Price Increase	Mix Shift
Brinker International	(4.3)%	(0.5)%	2.9%	0.5%
Chili's	(5.9)%	0.8%	3.1%	0.8%
On The Border	5.5%	(3.3)%	2.5%	(0.2)%
Maggiano's	6.4%	0.4%	2.8%	(1.9)%
Macaroni Grill	(4.8)%	(4.4)%	2.2%	1.1%

Our capacity decreased 4.3% in fiscal 2008 (as measured by average-weighted sales weeks). The reduction in capacity is primarily due to the sale of 95 Chili's restaurants to Pepper Dining, Inc. on June 27, 2007 as well as the sale of 76 Chili's restaurants to ERJ Dining IV, LLC during fiscal 2008. The reduction in capacity is also due to other restaurant closures at Macaroni Grill, Chili's and On The Border, partially offset by the development of new company-owned restaurants. Including the impact of restaurant sales to franchisees, we experienced a net decrease of 47 company-owned restaurants since June 27, 2007.

Comparable restaurant sales decreased 0.5% in fiscal 2008 compared to fiscal 2007. The decrease in comparable restaurant sales resulted from a decline in customer traffic at all brands and unfavorable product mix shifts at On The Border and Maggiano's. These decreases were partially offset by an increase in menu prices at all brands and favorable mix shifts at Chili's and Macaroni Grill.

Revenues for fiscal 2007 increased to $4,376.9 million, 5.4% over the $4,151.3 million generated for fiscal 2006. The increase in revenues was primarily attributable to capacity growth, partially offset by a decrease in comparable restaurant sales.

	Fiscal Year Ended June 27, 2007			
	Capacity	Comparable Sales	Price Increase	Mix Shift
Brinker International	8.2%	(2.7)%	1.6%	0.1%
Chili's	10.9%	(2.4)%	1.7%	(0.3)%
On The Border	5.8%	(4.1)%	1.1%	2.0%
Maggiano's	8.4%	(1.7)%	1.5%	(0.7)%
Macaroni Grill	(0.8)%	(3.2)%	1.6%	0.6%

We increased our capacity 8.2% in fiscal 2007 primarily due to a net increase of 117 company-owned restaurants since June 28, 2006 (excluding the impact of the sale of 95 Chili's restaurants to Pepper Dining, Inc. on June 27, 2007). Comparable restaurant sales decreased 2.7% in fiscal 2007 compared to fiscal 2006. The decrease in comparable restaurant sales resulted from a decline in customer traffic at all brands and unfavorable product mix shifts at Chili's and Maggiano's. These decreases were partially offset by an increase in menu prices at all brands and favorable mix shifts at On The Border and Macaroni Grill.

COSTS AND EXPENSES

Cost of sales, as a percent of revenues, increased 0.5% in fiscal 2008 primarily due to increased inventory costs partially offset by an increase in menu prices at all brands and an increase in franchise revenues. The cost increase was primarily driven by unfavorable pricing for beef, ribs, chicken, and dairy products. The increase was also due to unfavorable product mix shifts related to new menu items. Cost of sales, as a percent of revenues, decreased 0.1% in fiscal 2007 primarily due to an increase in menu prices at all brands partially offset by increased inventory costs. The cost increase was primarily driven by unfavorable product mix shifts related to the popularity of new appetizer menu items at Chili's and premium margaritas at On The Border. Additionally, we experienced unfavorable pricing for salmon and produce. The overall cost increase was partially offset by favorable pricing for ribs and steaks.

Restaurant expenses, as a percent of revenues, increased 0.9% in fiscal 2008 primarily due to minimum wage increases and higher insurance costs. The increase was partially offset by a decrease in restaurant opening expenses. Restaurant expenses, as a percent of revenues, increased 0.7% in fiscal 2007. The increase was due to minimum wage increases, increases in repair and maintenance and restaurant opening expenses. The increase was partially offset by a decrease in labor costs due to lower incentive compensation expenses in fiscal 2007.

Depreciation and amortization decreased $23.9 million in fiscal 2008. The decrease in depreciation expense was primarily due to the sale of restaurants to franchisees as well as the classification of Macaroni Grill assets as held for sale in September 2007, at which time the assets were no longer depreciated. These decreases were partially offset by new restaurant construction and ongoing remodel costs. Depreciation and amortization decreased $1.0 million during fiscal 2007. The decrease in depreciation expense was primarily related to an increase in fully depreciated assets and the classification of assets as held for sale in January 2007, at which time the assets were no longer depreciated. These decreases were partially offset by new restaurant construction and ongoing remodel costs.

General and administrative expenses decreased $23.6 million in fiscal 2008. The decrease was primarily due to lower annual performance and stock-based compensation expense as well as reduced salary and team member related expenses subsequent to a corporate restructuring that eliminated certain administrative positions during the third quarter of 2008. General and administrative expenses decreased $12.7 million in fiscal 2007. The decrease was primarily due to lower than expected annual performance based compensation expense, reduced meeting expenses, and a decrease in headcount, partially offset by increased 401k matching and employee participation and increased costs for health insurance.

Other gains and charges in fiscal 2008 includes a $152.7 million charge to write down the Macaroni Grill long-lived assets held for sale to estimated fair value less costs to sell. In addition, we made the decision to close or decline lease renewals for 61 restaurants based on a comprehensive analysis that examined restaurants not performing at required levels of return. As a result, we incurred a $58.5 million charge primarily related to the impairment of long-lived assets at these restaurants as well as lease obligation charges for the restaurants that closed in fiscal 2008. During fiscal 2008, we also made the decision to reduce future domestic company-owned restaurant development as well as discontinue certain projects that do not align with our strategic goals. As a result, we incurred a $13.2 million charge related to asset write-offs and a $6.7 million net charge for severance and other benefits. These charges were partially offset by a $29.7 million gain related to the sale of 76 company-owned Chili's restaurants to ERJ Dining IV, LLC. Other gains and charges in fiscal 2007 includes $19.1 million in gains related to the sale of company-owned restaurants to franchisees, including 95 Chili's restaurants to Pepper Dining, Inc. in the fourth quarter for a $17.1 million gain. Also included is a $3.2 million gain related to the termination of interest rate swaps on an operating lease commitment. These gains were partially offset by a $12.9 million charge related to the impairment of long-lived assets at 13 restaurants as well as lease obligation charges for seven of the restaurants that closed during fiscal 2007.

Interest expense increased $14.9 million in fiscal 2008 primarily due to outstanding borrowings on our $400 million three-year term loan agreement used to fund share repurchases in fiscal 2007 and for general corporate purposes. We entered into the agreement in October 2007 and terminated the one-year unsecured committed credit facility of $400 million. The increase was partially offset by a decrease in interest rates on our debt carrying variable interest rates. Interest expense increased by $8.1 million in fiscal 2007 primarily due to outstanding borrowings on the $400 million credit facility in the fourth quarter. Additionally, increased average borrowings and interest rates on our existing lines of credit contributed to the increase.

Other, net decreased $1.0 million in fiscal 2008 due to the realized gains from the liquidation of our investments in mutual funds in fiscal 2007, partially offset by higher interest income on cash balances in our captive insurance company. Other, net increased $3.4 million in fiscal 2007 due to the realized gains from the liquidation of our investments in mutual funds and higher interest income.

INCOME TAXES

The effective income tax rate related to continuing operations was 5.7%, 27.8% and 29.9% for fiscal 2008, 2007 and 2006, respectively. The decrease in the tax rate in fiscal 2008 was primarily due to a decrease in profits before taxes related to other gains and charges partially offset by prior year favorable settlement of certain tax audits and prior year benefits from state income tax planning. The decrease in the tax rate in fiscal 2007 was primarily due to stock-based compensation expense related to the impact of incentive stock options which are not deductible until they are exercised, an income tax benefit totaling $6.8 million associated with the favorable settlement of certain tax audits and benefits from state income tax planning.

LIQUIDITY AND CAPITAL RESOURCES

Our primary source of liquidity is cash flows generated from our restaurant operations. We expect our ability to generate strong cash flows from operations to continue into the future. Net cash provided by operating activities of continuing operations decreased to $361.5 million for fiscal 2008 from $485.0 million in fiscal 2007 primarily due to lower income (adjusted for non-cash items) driven by incremental margin pressures and the sale of 171 company-owned restaurants to franchisees as well as the timing of operational payments and receipts.

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 $270.4 million for fiscal 2008 compared to $430.5 million for fiscal 2007. The reduction in capital expenditures is primarily due to a decrease in company-owned restaurants developed this year. We estimate that our capital expenditures during fiscal 2009 will be approximately $175 to $185 million, including new restaurant development of approximately $40 million, $20 to $25 million of Chili's re-images, $25 to $30 million of investments in kitchen technology, and the remainder for capital expenditure maintenance programs. Our capital expenditures will be funded entirely by cash from operations and existing credit facilities.

We sold 76 company-owned Chili's restaurants to a franchisee during fiscal 2008 for cash proceeds of approximately $122 million. We plan to continue the sale of select company-owned restaurants to franchisees in fiscal 2009.

The Board of Directors has authorized a total of $2,060.0 million in share repurchases, which has been and will be used to return capital to shareholders and to minimize the dilutive impact of stock options and other share-based awards. In June 2007, we entered into a written trading plan in compliance with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, which provided for the purchase of up to $140.0 million of shares of our common stock. Following the completion of this plan, we entered into another 10b5-1 plan for the purchase of up to $100.0 million of shares of our common stock in November 2007. The latest trading plan was completed on November 23, 2007. Pursuant to our stock repurchase plans, we repurchased approximately 9.1 million shares of our common stock for approximately $240.3 million during fiscal 2008, which was funded using proceeds from the sales of restaurants to franchisees. We have approximately $59.8 million in remaining authorization as of June 25, 2008. In the future, we may consider additional share repurchases based on several factors, including our cash flow, share price, operational liquidity, and planned investment and financing needs. The repurchased common stock is reflected as a reduction of shareholders' equity.

In fiscal 2008, we declared and paid four quarterly dividends to common stock shareholders. In the first quarter, we declared a dividend in the amount of $0.09 per share. In the second, third and fourth quarters, we declared and paid dividends in the amount of $0.11 per share. Total dividends paid during fiscal 2008 were $42.9 million.

In August 2007, we extended our $50.0 million uncommitted credit facility through August 2008. In September 2007, we also increased the $50.0 million uncommitted credit facility to $100.0 million and extended the expiration date to September 2008.

In October 2007, we entered into a three-year term loan agreement for $400 million and terminated the one-year unsecured committed credit facility of $400 million. The term loan proceeds were used to pay off all outstanding amounts under the one-year unsecured committed credit facility. The term loan bears interest at LIBOR plus an applicable margin, which is a function of our credit rating at such time, but is subject to a maximum of LIBOR plus 1.5%. Based on our current credit rating, we are paying interest at a rate of LIBOR plus 0.65%.

Excluding the impact of assets held for sale, the working capital deficit decreased to $187.9 million at June 25, 2008 from $270.7 million at June 27, 2007 primarily due to increases in deferred tax assets resulting from the impairment of Macaroni Grill long-lived assets held for sale to estimated fair value less costs to sell as well as a decrease in income taxes payable due to declining earnings.

We believe that our various sources of capital, including cash flow from operating activities of continuing operations, availability under existing credit facilities, and the ability to acquire additional financing, are adequate to finance operations as well as the repayment of current debt obligations. We also expect to receive net cash proceeds of $125.5 million from the sale of Macaroni Grill in the second quarter of fiscal 2009. At that time, we will make a determination as to the appropriate use of the funds. We are not aware of any other event or trend that would potentially affect our liquidity. In the event such a trend develops, we believe that there are sufficient funds available under our credit facilities and from our internal cash generating capabilities to adequately manage our ongoing business.

Payments due under our contractual obligations for outstanding indebtedness, purchase obligations as defined by the Securities and Exchange Commission ("SEC"), and the expiration of credit facilities as of June 25, 2008 are as follows:

	Payments Due by Period (in thousands)				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt(a)	$960,570	$175,250	$434,500	$ 34,500	$316,320
Capital leases	70,211	4,948	10,174	10,586	44,503
Operating leases	870,645	121,864	220,386	182,809	345,586
Purchase obligations(b)	21,340	6,940	14,400	—	—

	Amount of Credit Facility Expiration by Period (in thousands)				
	Total Commitment	Less than 1 year(c)	1-3 Years	3-5 Years	More than 5 Years
Credit facilities	$ 550,000	$ 250,000	$ 300,000	$ —	$ —

(a) Long-term debt consists of amounts owed on the three-year term loan, 5.75% notes, credit facilities and accrued interest on fixed-rate obligations totaling $103.5 million.

(b) A "purchase obligation" is defined as an agreement to purchase goods or services that is enforceable and legally binding on us and that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Our purchase obligations primarily consist of long-term obligations for the purchase of telecommunication and health services and exclude agreements that are cancelable without significant penalty.

(c) $150.0 million relates to an uncommitted obligation giving the lender an option not to extend funding. $100.0 million relates to a revolving credit facility that expires in September 2008.

In addition to the amounts shown in the table above, $27.1 million of unrecognized tax benefits have been recorded as liabilities in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). The timing and amounts of future cash payments related to the FIN 48 liabilities are uncertain.

IMPACT OF INFLATION

We have experienced impact from inflation. Inflation has caused increased food, labor and benefits costs and has increased our operating expenses. To the extent permitted by competition, increased costs are recovered through a combination of menu price increases and reviewing, then implementing, alternative products or processes, or by implementing other cost reduction procedures.

CRITICAL ACCOUNTING ESTIMATES

Our significant accounting policies are disclosed in Note 1 to our consolidated financial statements. The following discussion addresses our most critical accounting estimates, which are those that are most important to the portrayal of our financial condition and results, and that require significant judgment.

Stock Based Compensation

Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised 2004), "Share-Based Payment," ("SFAS 123R"), requires the measurement and recognition of compensation cost at fair value for all share-based payments, including stock options. We determine the fair value of our stock option awards using the Black-Scholes option valuation model. The Black-Scholes model requires judgmental assumptions including expected life and stock price volatility. We base our expected life assumptions on historical experience regarding option life. Stock price volatility is calculated based on historical prices and the expected life of the options. We determine the fair value of our performance shares using a Monte Carlo simulation model. The Monte Carlo method is a statistical modeling technique that requires highly judgmental assumptions regarding Brinker's future operating performance compared to our plan designated peer group in the future. The simulation is based on a probability model and market-based inputs that are used to predict future stock returns. We use the historical operating performance and correlation of stock performance to the S&P 500 composite index of Brinker and our peer group as inputs to the simulation model. These historical returns could differ significantly in the future and as a result, the fair value assigned to the performance shares could vary significantly to the final payout. We believe the Monte Carlo simulation model provides the best evidence of fair value at the grant date and is an appropriate technique for valuing share-based awards under SFAS 123R. SFAS 123R also requires that we recognize compensation expense for only the portion of share-based awards that are expected to vest. Therefore, we apply estimated forfeiture rates that are derived from our historical forfeitures of similar awards.

Income Taxes

In determining net income for financial statement purposes, we make certain estimates and judgments in the calculation of tax expense and the resulting tax liabilities and in the recoverability of deferred tax assets that arise from temporary differences between the tax and financial statement recognition of revenue and expense. When considered necessary, we record a valuation allowance to reduce deferred tax assets to a balance that is more likely than not to be recognized. We use an estimate of our annual effective tax rate at each interim period based on the facts and circumstances available at that time while the actual effective tax rate is calculated at year-end.

In the ordinary course of business, there may be many transactions and calculations where the ultimate tax outcome is uncertain. Effective June 28, 2007, we adopted the provisions of FIN 48. The adoption of this standard was consistent with FSP FIN 48-1, "Definition of Settlement in FASB Interpretation No. 48", that was issued in May 2007 and that provides guidance on how to determine whether a tax position is effectively settled for the purpose of recognizing unrecognized tax benefits.

In addition to the risks related to the effective tax rate described above, the effective tax rate reflected in forward-looking statements is based on current tax law. Any significant changes in the tax laws could affect these estimates.

Property and Equipment

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. The useful lives of the assets are based upon our expectations for the period of time that the asset will be used to generate revenues. We periodically review the assets for changes in circumstances, which may impact their useful lives.

Impairment of Long-Lived Assets and Goodwill

We review property and equipment for impairment when events or circumstances indicate that the carrying amount of a restaurant's assets may not be recoverable. We test for impairment using historical cash flows and other relevant facts and circumstances as the primary basis for our estimates of future cash flows. This process requires the use of estimates and assumptions, which are subject to a high degree of judgment. In addition, at least annually we assess the recoverability of goodwill related to our restaurant brands. This impairment test requires us to estimate fair values of our restaurant brands by making assumptions regarding future profits and cash flows, expected growth rates, terminal values, and other factors. In the event that these assumptions change in the future, we may be required to record impairment charges related to goodwill.

Self-Insurance

We are self-insured for certain losses related to health, general liability and workers' compensation. We maintain stop loss coverage with third party insurers to limit our total exposure. The self-insurance liability represents an estimate of the ultimate cost of claims incurred and unpaid as of the balance sheet date. The estimated liability is not discounted and is established based upon analysis of historical data and actuarial estimates, and is reviewed on a quarterly basis to ensure that the liability is appropriate. If actual trends, including the severity or frequency of claims, differ from our estimates, our financial results could be impacted.

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations," ("SFAS 141R"). Under SFAS 141R, all business combinations will be accounted for by applying the acquisition method. SFAS 141R requires most identifiable assets, liabilities, noncontrolling interests, and goodwill acquired in a business combination to be recorded at full fair value. SFAS 141R is effective for annual reporting periods beginning on or after December 15, 2008 and will be effective for us beginning in the first quarter of fiscal 2010 for business combinations occurring on or after the effective date.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51," ("SFAS 160"). SFAS 160 will require noncontrolling interests (previously referred to as minority interests) to be treated as a separate component of equity, not as a liability or other item outside of permanent equity. The Statement applies to the accounting for noncontrolling interests and transactions with noncontrolling interest holders in consolidated financial statements. SFAS 160 is effective for periods beginning on or after December 15, 2008 and is effective for us beginning in the third quarter of fiscal 2009. We do not expect that SFAS 160 will have a material impact on our financial statements.

In December 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," ("SFAS 157"). SFAS 157 clarifies the definition of fair value, describes methods used to appropriately measure fair value, and expands fair value disclosure requirements, but does not change existing guidance as to whether or not an instrument is carried at fair value. For financial assets and liabilities, SFAS 157 is effective for fiscal years beginning after November 15, 2007, which will require us to adopt these provisions in first quarter fiscal 2009. We do not expect the adoption to have an impact on our consolidated financial statements. For nonfinancial assets and liabilities, SFAS 157 is effective for fiscal years beginning after November 15, 2008, which will require us to adopt these provisions in fiscal 2010. We are currently evaluating the impact, if any, that an adoption of the deferred provisions of this statement will have on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," ("SFAS 159"). SFAS 159 provides companies with an option to report selected assets and liabilities at fair value. This statement contains financial statement presentation and disclosure requirements for assets and liabilities reported at fair value as a consequence of the election and is effective for us beginning in fiscal 2009. We do not plan to elect to measure any additional assets or liabilities at fair value that are not already measured at fair value under existing standards. Therefore, the adoption of this standard will not have an impact on our consolidated financial statements.

The Emerging Issues Task Force ("EITF") reached a consensus on EITF 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards" ("EITF 06-11") in June 2007. The EITF consensus indicates that the tax benefit received on dividends associated with share-based awards that are charged to retained earnings should be recorded in additional paid-in capital and included in the pool of excess tax benefits available to absorb potential future tax deficiencies on share-based payment awards. Currently, we do not record a tax benefit on dividends associated with share-based awards. The consensus is effective for the tax benefits of dividends declared in fiscal years beginning after December 15, 2007. EITF 06-11 will be effective for us beginning in fiscal 2009 and its adoption will not have a material impact on our financial position, results of operations or cash flows.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates on debt and certain leasing facilities and from changes in commodity prices. A discussion of our accounting policies for derivative instruments is included in the summary of significant accounting policies in the notes to our consolidated financial statements.

We are exposed to interest rate risk on short-term and long-term financial instruments carrying variable interest rates. The variable rate financial instruments, consisting of the outstanding borrowings on our term loan and credit facilities, totaled $558.0 million at June 25, 2008. The impact on our annual results of operations of a one-point interest rate change on the outstanding balance of these variable rate financial instruments as of June 25, 2008 would be approximately $5.6 million. We may from time to time utilize interest rate swaps to manage overall borrowing costs and reduce exposure to adverse fluctuations in interest rates.

We purchase certain commodities such as beef, pork, poultry, seafood, produce, and dairy. These commodities are generally purchased based upon market prices established with vendors. These purchase arrangements may contain contractual features that fix the price paid for certain commodities. We do not use financial instruments to hedge commodity prices because these purchase arrangements help control the ultimate cost paid and any commodity price aberrations are generally short-term in nature.

This market risk discussion contains forward-looking statements. Actual results may differ materially from this discussion based upon general market conditions and changes in domestic and global financial markets.

BRINKER INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

	Fiscal Years 2008	2007	2006
Revenues	$4,235,223	$4,376,904	$4,151,291
Operating Costs and Expenses:			
Cost of sales	1,200,763	1,222,198	1,160,931
Restaurant expenses	2,397,908	2,435,866	2,283,737
Depreciation and amortization	165,229	189,162	190,206
General and administrative	170,703	194,349	207,080
Other gains and charges	203,950	(8,999)	(17,262)
Total operating costs and expenses	4,138,553	4,032,576	3,824,692
Operating income	96,670	344,328	326,599
Interest expense	45,862	30,929	22,857
Other, net	(4,046)	(5,071)	(1,656)
Income before provision for income taxes	54,854	318,470	305,398
Provision for income taxes	3,132	88,421	91,448
Income from continuing operations	51,722	230,049	213,950
Loss from discontinued operations, net of tax	—	—	(1,555)
Net income	$ 51,722	$ 230,049	$ 212,395
Basic net income per share:			
Income from continuing operations	$ 0.50	$ 1.90	$ 1.66
Loss from discontinued operations	$ —	$ —	$ (0.01)
Net income per share	$ 0.50	$ 1.90	$ 1.65
Diluted net income per share:			
Income from continuing operations	$ 0.49	$ 1.85	$ 1.63
Loss from discontinued operations	$ —	$ —	$ (0.01)
Net income per share	$ 0.49	$ 1.85	$ 1.62
Basic weighted average shares outstanding	103,101	121,062	128,766
Diluted weighted average shares outstanding	104,897	124,116	130,934
Cash dividends per share	$ 0.42	$ 0.34	$ 0.20

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	2008	2007
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 54,714	$ 84,823
Accounts receivable	52,304	49,851
Inventories	35,534	29,189
Prepaid expenses and other	106,472	70,515
Deferred income taxes	71,595	16,100
Assets held for sale	134,102	404,692
Total current assets	454,721	655,170
Property and Equipment:		
Land	198,554	202,742
Buildings and leasehold improvements	1,573,305	1,401,585
Furniture and equipment	669,201	614,472
Construction-in-progress	35,106	94,670
	2,476,166	2,313,469
Less accumulated depreciation and amortization	(945,150)	(830,733)
Net property and equipment	1,531,016	1,482,736
Other Assets:		
Goodwill	140,371	138,876
Deferred income taxes	23,160	4,778
Other	43,854	36,461
Total other assets	207,385	180,115
Total assets	$ 2,193,122	$ 2,318,021
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current installments of long-term debt	$ 1,973	$ 1,761
Accounts payable	168,619	167,789
Accrued liabilities	331,943	330,031
Income taxes payable	5,946	21,555
Liabilities associated with assets held for sale	17,688	22,328
Total current liabilities	526,169	543,464
Long-term debt, less current installments	901,604	826,918
Other liabilities	170,260	142,550
Commitments and Contingencies (Notes 11 and 15)		
Shareholders' Equity:		
Common stock—250,000,000 authorized shares; $.10 par value; 176,246,649 shares issued and 101,316,461 shares outstanding at June 25, 2008, and 176,246,666 shares issued and 110,127,072 shares outstanding at June 27, 2007	17,625	17,625
Additional paid-in capital	464,666	450,665
Accumulated other comprehensive loss	(168)	(37)
Retained earnings	1,800,300	1,791,311
	2,282,423	2,259,564
Less treasury stock, at cost (74,930,188 shares at June 25, 2008 and 66,119,594 shares at June 27, 2007)	(1,687,334)	(1,454,475)
Total shareholders' equity	595,089	805,089
Total liabilities and shareholders' equity	$ 2,193,122	$ 2,318,021

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balances at June 29, 2005	133,772	$ 17,625	$ 369,813	$ 1,415,991	$ (703,847)	$ 700	$ 1,100,282
Net income	—	—	—	212,395	—	—	212,395
Change in fair value of investments, net of tax	—	—	—	—	—	73	73
Comprehensive income							212,468
Cash dividends ($0.20 per share)	—	—	—	(25,600)	—	—	(25,600)
Stock-based compensation	—	—	33,201	—	—	—	33,201
Purchases of treasury stock	(11,742)	—	—	—	(305,714)	—	(305,714)
Issuances of common stock	2,860	—	3,173	—	50,635	—	53,808
Tax benefit from stock options exercised	—	—	7,387	—	—	—	7,387
Issuance of restricted stock, net of forfeitures	417	—	(6,948)	—	6,948	—	—
Balances at June 28, 2006	125,307	17,625	406,626	1,602,786	(951,978)	773	1,075,832
Net income	—	—	—	230,049	—	—	230,049
Currency translation adjustment	—	—	—	—	—	(37)	(37)
Change in fair value of investments, net of tax	—	—	—	—	—	181	181
Realized gain on sale of investments, net of tax	—	—	—	—	—	(954)	(954)
Comprehensive income							229,239
Cash dividends ($0.34 per share)	—	—	—	(41,524)	—	—	(41,524)
Stock-based compensation	—	—	31,510	—	—	—	31,510
Purchases of treasury stock	(18,617)	—	—	—	(569,347)	—	(569,347)
Issuances of common stock	3,409	—	(15)	—	66,302	—	66,287
Tax benefit from stock options exercised	—	—	13,092	—	—	—	13,092
Issuance of restricted stock, net of forfeitures	28	—	(548)	—	548	—	—
Balances at June 27, 2007	110,127	17,625	450,665	1,791,311	(1,454,475)	(37)	805,089
Net income	—	—	—	51,722	—	—	51,722
Currency translation adjustment	—	—	—	—	—	(131)	(131)
Comprehensive income							51,591
Adjustment to initially apply FIN 48	—	—	—	847	—	—	847
Cash dividends ($0.42 per share)	—	—	—	(43,580)	—	—	(43,580)
Stock-based compensation	—	—	16,100	—	—	—	16,100
Purchases of treasury stock	(9,130)	—	(465)	—	(240,319)	—	(240,784)
Issuances of common stock	345	—	(2,472)	—	7,749	—	5,277
Tax benefit from stock options exercised	—	—	549	—	—	—	549
Forfeitures of restricted stock, net of issuances	(26)	—	289	—	(289)	—	—
Balances at June 25, 2008	101,316	$ 17,625	$ 464,666	$ 1,800,300	$ (1,687,334)	$ (168)	$ 595,089

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Fiscal Years 2008	2007	2006
Cash Flows from Operating Activities:			
Net income	$ 51,722	$ 230,049	$ 212,395
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:			
Depreciation and amortization	165,229	189,162	190,206
Restructure charges and other impairments	225,945	13,812	1,950
Stock-based compensation	16,577	29,870	32,200
Deferred income taxes	(68,064)	(18,823)	(34,219)
Gain on sale of assets	(29,682)	(21,207)	(19,278)
Amortization of deferred costs	283	(130)	(39)
Loss from discontinued operations, net of taxes	—	—	1,555
Changes in assets and liabilities, excluding effects of acquisitions and dispositions:			
Accounts receivable	(972)	3,394	(8,948)
Inventories	(6,640)	3,229	8,474
Prepaid expenses and other	1,454	25,541	(3,773)
Other assets	459	(5,168)	19,198
Income taxes payable	2,581	(1,945)	11,994
Accounts payable	13,320	(1,978)	18,120
Accrued liabilities	(20,458)	19,966	53,978
Other liabilities	9,786	19,225	(13,346)
Net cash provided by operating activities of continuing operations	361,540	484,997	470,467
Cash Flows from Investing Activities:			
Payments for property and equipment	(270,413)	(430,532)	(354,607)
Proceeds from sale of assets	127,780	180,966	48,462
Increase in restricted cash	(34,435)	—	—
Payments for purchases of restaurants	(2,418)	—	(23,095)
(Investment in) disposition of equity method investee	(8,711)	—	1,101
Proceeds from sale of investments	—	5,994	—
Net cash used in investing activities of continuing operations	(188,197)	(243,572)	(328,139)
Cash Flows from Financing Activities:			
Net proceeds from issuance of long-term debt	399,287	—	—
Net (payments) borrowings on credit facilities	(323,586)	338,188	80,300
Payments on long-term debt	(1,062)	(12,979)	(1,581)
Purchases of treasury stock	(240,784)	(569,347)	(305,714)
Proceeds from issuances of treasury stock	5,277	66,287	53,808
Payments of dividends	(42,914)	(40,906)	(25,417)
Excess tax benefits from stock-based compensation	330	7,139	2,107
Net cash used in financing activities of continuing operations	(203,452)	(211,618)	(196,497)
Cash Flows from Discontinued Operations:			
Net cash provided by operating activities of discontinued operations	—	—	5,042
Net cash provided by investing activities of discontinued operations	—	—	62,845
Net cash provided by discontinued operations	—	—	67,887
Net change in cash and cash equivalents	(30,109)	29,807	13,718
Cash and cash equivalents at beginning of year	84,823	55,016	41,298
Cash and cash equivalents at end of year	$ 54,714	$ 84,823	$ 55,016

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

Our consolidated financial statements include the accounts of Brinker International, Inc. and our wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. We own, operate, or franchise various restaurant brands in the United States and 24 other countries.

We have a 52/53 week fiscal year ending on the last Wednesday in June. Fiscal years 2008, 2007, and 2006, which ended on June 25, 2008, June 27, 2007, and June 28, 2006, respectively, each contained 52 weeks.

Certain prior year amounts in the accompanying consolidated financial statements have been reclassified to conform with fiscal 2008 presentation. These reclassifications have no effect on our net income or financial position as previously reported.

(b) Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and costs and expenses during the reporting period. Actual results could differ from those estimates.

(c) Revenue Recognition

We record revenue from the sale of food, beverages and alcohol as products are sold. Initial fees received from a franchisee to establish a new franchise are recognized as income when we have performed our obligations required to assist the franchisee in opening a new franchise restaurant, which is generally upon the opening of such restaurant. Continuing royalties, which are a percentage of net sales of franchised restaurants, are accrued as income when earned. Proceeds from the sale of gift cards are recorded as deferred revenue and recognized as income when the gift card is redeemed by the holder or the likelihood of redemption, based upon our historical redemption patterns, becomes remote.

(d) Financial Instruments

Our policy is to invest cash in excess of operating requirements in income-producing investments and to pay down debt. Income-producing investments with original maturities of three months or less are reflected as cash equivalents.

Our financial instruments at June 25, 2008 and June 27, 2007 consist of cash equivalents, accounts receivable, and long-term debt. The fair value of cash equivalents and accounts receivable approximates their carrying amounts reported in the consolidated balance sheets. The fair value of the 5.75% notes, based on quoted market prices, totaled approximately $283.4 million and $288.8 million at June 25, 2008 and June 27, 2007, respectively. The fair value of capital lease obligations is based on the amount of future cash flows discounted using our expected borrowing rate for debt of comparable risk and maturity.

We are required by our insurers to collateralize a part of the self-insured portion of our workers' compensation and liability claims. We have chosen to satisfy these collateral requirements by depositing approximately $18.2 million into an insurance escrow account and by issuing a $16.2 million cash secured

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

letter of credit in fiscal 2008. These cash balances have been classified as restricted and are included within prepaid expenses and other in the consolidated balance sheet as of June 25, 2008 (See Note 6).

Our use of derivative instruments has been primarily related to interest rate swaps which were entered into with the intent of hedging exposures to changes in value of certain fixed-rate lease obligations. We record derivative instruments in the consolidated balance sheet at fair value. The accounting for the gain or loss due to changes in fair value of the derivative instrument depends on whether the derivative instrument qualifies as a hedge. If the derivative instrument does not qualify as a hedge, the gains or losses are reported in earnings when they occur. However, if the derivative instrument qualifies as a hedge, the accounting varies based on the type of risk being hedged. Amounts receivable or payable under interest rate swaps related to the hedged lease obligations are recorded as adjustments to restaurant expense. Cash flows related to derivative transactions are included in operating activities.

We entered into interest rate swaps in December 2001 with the intent of hedging exposures to changes in value of certain fixed-rate lease obligations. These fair value hedges changed the fixed-rate interest component of an operating lease commitment for certain real estate properties entered into in November 1997 to variable-rate interest. We terminated our interest rate swaps in fiscal 2007 and recorded a $3.2 million gain, which is included in other gains and charges in the consolidated statements of income. At June 25, 2008 we do not have any outstanding derivative instruments.

(e) Accounts Receivable

Accounts receivable, net of the allowance for doubtful accounts, represents their estimated net realizable value. Provisions for doubtful accounts are recorded based on management's judgment regarding our ability to collect as well as the age of the receivables. Accounts receivable are written off when they are deemed uncollectible.

(f) Inventories

Inventories, which consist of food, beverages, and supplies, are stated at the lower of cost (weighted average cost method) or market.

(g) Property and Equipment

Property and equipment is stated at cost. Buildings and leasehold improvements are depreciated using the straight-line method over the lesser of the life of the lease, including renewal options, or the estimated useful lives of the assets, which range from 5 to 20 years. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years. Routine repair and maintenance costs are expensed when incurred. Major replacements and improvements are capitalized.

We evaluate property and equipment held and used in the business for impairment whenever events or changes in circumstances indicate that the carrying amount of a restaurant's assets may not be recoverable. An impairment is determined by comparing estimated undiscounted future operating cash flows for a restaurant to the carrying amount of its assets. If an impairment exists, the amount of impairment is measured as the excess of the carrying amount over the estimated discounted future operating cash flows of the asset and the expected proceeds upon sale of the asset. Assets held for sale are reported at the lower of the carrying amount or fair value less costs to sell.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Operating Leases

Rent expense for leases that contain scheduled rent increases is recognized on a straight-line basis over the lease term, including cancelable option periods where failure to exercise such options would result in an economic penalty such that the renewal appears reasonably assured. We adopted FASB Staff Position 13-1, "Accounting for Rental Costs Incurred During a Construction Period" beginning December 29, 2005. Subsequent to the adoption, the straight-line rent calculation and rent expense includes the rent holiday period, which is the period of time between taking control of a leased site and the rent commencement date. Prior to the adoption of FASB Staff Position 13-1, the portion of straight-line rent allocated to the construction period was capitalized and amortized to depreciation and amortization expense over the useful life of the related assets.

Contingent rents are generally amounts due as a result of sales in excess of amounts stipulated in certain restaurant leases and are included in rent expense as they are incurred. Landlord contributions are recorded when received as a deferred rent liability and amortized as a reduction of rent expense on a straight-line basis over the lesser of the lease term, including renewal options, or 20 years.

(i) Capitalized Interest

Interest costs capitalized during the construction period of restaurants were approximately $3.7 million, $6.0 million and $5.0 million during fiscal 2008, 2007, and 2006, respectively.

(j) Advertising

Advertising production costs are expensed in the period when the advertising first takes place. Other advertising costs are expensed as incurred. Advertising costs were $133.6 million, $135.5 million and $135.2 million in fiscal 2008, 2007, and 2006, respectively, and are included in restaurant expenses in the consolidated statements of income.

(k) Goodwill

Goodwill represents the residual purchase price after allocation to all other identifiable net assets acquired. Goodwill is not subject to amortization but is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," requires a two-step process for testing impairment of goodwill. First, the fair value of each reporting unit is compared to its carrying value to determine whether an indication of impairment exists. If an impairment is indicated, then the fair value of the reporting unit's goodwill is determined by allocating the unit's fair value to its assets and liabilities (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. The amount of impairment for goodwill is measured as the excess of its carrying value over its implied fair value. See Note 7 for additional disclosures related to goodwill.

(l) Sales Taxes

Sales taxes collected from customers are excluded from revenues. The obligation is included in accrued liabilities until the taxes are remitted to the appropriate taxing authorities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Self-Insurance Program

We utilize a paid loss self-insurance plan for health, general liability and workers' compensation coverage. Predetermined loss limits have been arranged with insurance companies to limit our per occurrence cash outlay. Accrued liabilities include the estimated incurred but unreported costs to settle unpaid claims and estimated future claims.

We utilize a wholly-owned captive insurance company for our general liability and workers' compensation coverage. We make premium payments to the captive insurance company and accrue for claims costs based on the actuarially predicted ultimate losses, and the captive insurance company then pays administrative fees and the insurance claims. As a result of these premium payments, approximately $44.2 million and $70.5 million of cash from the captive insurance company is included in cash and cash equivalents in the consolidated balance sheets as of June 25, 2008 and June 27, 2007, respectively. Additionally, a total of $34.4 million of cash from the captive insurance company is included in prepaid expenses and other in the consolidated balance sheet as of June 25, 2008.

(n) Income Taxes

Income taxes are accounted for under the asset and liability method prescribed by SFAS No. 109, "Accounting for Income Taxes." Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

We file income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. We are no longer subject to U.S. federal examinations by tax authorities for fiscal years before 2006. We are audited by the taxing authorities of most states and certain foreign countries and are subject to examination by these taxing jurisdictions for fiscal years generally after 2003.

Effective June 28, 2007, we adopted the provisions of the Financial Accounting Standards Board's ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). The adoption of this standard was consistent with FSP FIN 48-1, "Definition of Settlement in FASB Interpretation No. 48," that was issued in May 2007 and that provides guidance on how to determine whether a tax position is effectively settled for the purpose of recognizing unrecognized tax benefits. As a result of the adoption we recognized an $847,000 decrease in the liability for unrecognized tax benefits, net of the federal deferred tax benefit, with a corresponding increase to retained earnings. We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense. See Note 9 for additional disclosures.

(o) Stock-Based Compensation

Stock-based compensation is accounted for under 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 expense for fiscal 2008, 2007 and 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,

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2005. We record compensation expense using a graded-vesting schedule over the vesting period, or to the date on which retirement eligibility is achieved, if shorter (non-substantive vesting period approach).

Certain employees are eligible to receive stock options, performance shares, restricted stock and restricted stock units, while non-employee members of the Board of Directors are eligible to receive stock options, restricted stock and restricted stock units. Performance shares represent a right to receive shares of common stock upon satisfaction of performance goals or other specified metrics at the end of a three-year cycle. Performance shares are paid out in common stock and 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. The fair value of restricted stock and restricted stock units are based on our closing stock price on the date of grant.

Stock-based compensation expense totaled approximately $15.6 million, $29.9 million and $32.2 million for fiscal 2008, 2007 and 2006, respectively. The total income tax benefit recognized in the consolidated statements of income related to stock-based compensation was approximately $6.1 million, $10.5 million and $7.7 million during fiscal 2008, 2007 and 2006, respectively.

The weighted average fair values of option grants were $7.18, $7.37 and $7.65 during fiscal 2008, 2007 and 2006, respectively. The fair value of stock options is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2008	2007	2006
Expected volatility	23.6%	26.1%	28.8%
Risk-free interest rate	4.2%	4.6%	4.2%
Expected lives	5 years	5 years	5 years
Dividend yield	1.2%	1.1%	1.0%

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.

(p) Preferred Stock

Our Board of Directors is authorized to provide for the issuance of 1.0 million preferred shares with a par value of $1.00 per share, in one or more series, and to fix the voting rights, liquidation preferences, dividend rates, conversion rights, redemption rights, and terms, including sinking fund provisions, and certain other rights and preferences. As of June 25, 2008, no preferred shares were issued.

(q) Shareholders' Equity

Our Board of Directors has authorized a total of $2,060.0 million of share repurchases. Pursuant to our stock repurchase plan, we repurchased approximately 9.1 million shares of our common stock for $240.3 million during fiscal 2008. As of June 25, 2008, approximately $59.8 million was available under our share repurchase authorizations. The repurchased common stock is reflected as a reduction of shareholders' equity.

(r) Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Fiscal 2008 comprehensive income consists of net income and currency translation adjustments. Fiscal 2007 comprehensive income consists of net income, currency translation adjustments, and the realized gain on the sale of our investments in mutual funds. Fiscal 2006 comprehensive income consists of net income and the unrealized portion of changes in the fair value of our investments in mutual funds.

(s) Net Income 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. We had approximately 5.8 million stock options and restricted share awards outstanding at June 25, 2008, 28,000 stock options and restricted share awards outstanding at June 27, 2007, and 885,000 stock options and restricted share awards outstanding at June 28, 2006 that were not included in the dilutive earnings per share calculation because the effect would have been antidilutive.

(t) Segment Reporting

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" permits two or more operating segments to be aggregated into a single operating segment if they have similar economic characteristics and are similar in the following areas:

- The nature of products and services
- Nature of production processes
- Type or class of customer
- Methods used to distribute products or provide services
- The nature of the regulatory environment, if applicable

Our four brands have similar types of products, contracts, customers, and employees and all operate as full-service restaurants offering lunch and dinner in the casual-dining segment of the industry. In addition, food costs, labor and facility-related costs comprise the majority of our brands' total costs and drive similar long-term average margins across all of our brands. Therefore, we believe we meet the criteria for aggregating operating segments into a single reporting segment.

2. ASSETS HELD FOR SALE

In the first quarter of fiscal 2008, we announced our intention to sell the Macaroni Grill restaurant brand and began presenting its results from operations as discontinued operations in our quarterly financial statements during fiscal 2008 in accordance with the reporting provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS 144"). In August 2008, we entered into an agreement with Mac Acquisition LLC, an affiliate of Golden Gate Capital, for the sale of a majority interest in Macaroni Grill. Per terms of the agreement, we will receive proceeds of $131.5 million in cash, of which $6.0 million will be contributed to the new entity for a 19.9% continuing ownership interest in the brand. We will also provide corporate support services for the new entity for one year with an option for one additional year. In accordance with SFAS 144, we have classified the results of Macaroni Grill in continuing operations for fiscal 2008 and prior years as we will have significant continuing involvement in the operations of Macaroni Grill after the sale. The transaction is expected to close in the second quarter of fiscal 2009 subject to customary closing conditions.

During fiscal 2008, we recorded impairment charges of $152.7 million to write-down the net assets of Macaroni Grill to their estimated fair value less costs to sell at June 25, 2008, which has been included in other gains and charges in the consolidated statements of income. The assets to be sold totaled approximately $134.1 million and consisted primarily of property and equipment of $113.6 million. The associated liabilities totaled approximately $17.7 million and consisted primarily of straight-line rent accruals of $13.2 million.

3. RESTAURANT ACQUISITIONS, DISPOSITIONS AND EQUITY METHOD INVESTMENTS

In November 2007, we entered into an agreement with CMR, S.A.B. de C.V. for a joint venture investment in a new corporation to develop 50 Chili's and Maggiano's restaurants in Mexico. In fiscal 2008, we made an $8.7 million capital contribution to the joint venture. We account for the investment under the equity method of accounting and record our share of the net income or loss of the investee within operating income since the operations of the joint venture are similar to our ongoing operations. For the year ended June 25, 2008, this amount has been included in restaurant expense in our consolidated statements of income due to the immaterial nature. At June 25, 2008, eight Chili's restaurants were operating in the joint venture.

In May 2007, we entered into an agreement with ERJ Dining IV, LLC to sell 76 company-owned Chili's restaurants for approximately $121.9 million. The assets and liabilities associated with these restaurants were classified as held for sale in the consolidated balance sheet for the fiscal year ended June 27, 2007. The sale was completed in November 2007 and we recorded a gain of $29.7 million in other gains and charges in the consolidated statements of income. The net assets sold totaled approximately $88.2 million and consisted primarily of property and equipment of $86.4 million and goodwill of $2.7 million.

In January 2007, we entered into an agreement with Pepper Dining, Inc. to sell 95 company-owned Chili's restaurants for approximately $155.0 million. The sale was completed in June 2007 and we recorded a gain of $17.1 million in other gains and charges in the consolidated statements of income. The net assets sold totaled approximately $127.9 million and consisted primarily of property and equipment of $126.1 million and goodwill of $3.9 million.

4. DISCONTINUED OPERATIONS

In September 2005, we entered into an agreement to sell Corner Bakery. The decision to sell the brand was a result of our continued focus on maximizing returns on investment. The sale of the brand was completed in February 2006. There was no operating activity during fiscal 2008 or fiscal 2007 related to Corner Bakery. We have reported the results of operations of Corner Bakery as discontinued operations which consist of the following (in thousands):

	2006
Revenues	$ 108,932
Income before provision for income taxes from discontinued operations	$ 13,061
Provision for income taxes	4,911
Net income from discontinued operations	8,150
Loss on sale of Corner Bakery, net of taxes(1)	(9,705)
Loss from discontinued operations	$ (1,555)

(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. OTHER GAINS AND CHARGES

	2008	2007	2006
Gains on the sale of restaurants (see Note 3)	$ (29,684)	$(19,116)	$(15,940)
Macaroni Grill fair value impairment (see Note 2)	152,692	—	—
Restaurant closures and impairments	58,504	12,854	3,051
Development-related costs	13,223	—	—
Severance and other benefits	6,735	—	—
Other gains and charges, net	2,480	(2,737)	(4,373)
	$203,950	$ (8,999)	$(17,262)

In fiscal 2008, we recorded $58.5 million in charges primarily related to long-lived asset impairments. The charges include $39.8 million of long-lived asset impairments and $9.3 million in lease obligation charges resulting from the decision to close or decline lease renewals for 61 restaurants including 20 Chili's, 12 On The Border, and 29 Macaroni Grill restaurants. The decision to close the restaurants and decline lease renewals was based on a comprehensive analysis that examined restaurants not performing at required levels of return. Also included is a $7.5 million impairment charge related to two restaurants which were impaired based on an analysis of projected operating performance and operating cash flows and a $1.9 million charge related to the decrease in the estimated sales value of land associated with previously closed restaurants.

In fiscal 2008, we also made the decision to reduce future domestic company-owned restaurant development as well as discontinue certain projects that do not align with our strategic goals. As a result, we evaluated our infrastructure needed to support this evolving business model, which resulted in the restructuring of our Restaurant Support Center and the elimination of certain administrative positions. In

5. OTHER GAINS AND CHARGES (Continued)

connection with these actions, we incurred $13.2 million in charges related to asset write-offs for sites under development and other discontinued projects. In addition, we incurred approximately $6.7 million in severance, vacation and other benefits, net of income related to the forfeiture of stock-based compensation awards.

In fiscal 2007, we recorded a $12.9 million charge for long-lived asset impairments resulting from the decision to close 13 restaurants, including nine Macaroni Grill, three On The Border, and one Chili's restaurants. The decision to close the restaurants was based on a comprehensive analysis that examined restaurants not meeting minimum return on investment thresholds and certain other operating performance criteria. The $12.9 million charge consists of long-lived asset impairments totaling $10.7 million and a $2.2 million charge primarily related to remaining lease obligations associated with the closed restaurants.

6. PREPAID EXPENSES AND OTHER

Prepaid expenses and other consist of the following (in thousands):

	2008	2007
Prepaid opening supplies	$ 41,247	$38,795
Restricted cash (see Note 1)	34,435	—
Other	30,790	31,720
	$106,472	$70,515

7. GOODWILL

The changes in the carrying amount of goodwill for the fiscal years ended June 25, 2008 and June 27, 2007 are as follows (in thousands):

	2008	2007
Balance at beginning of year	$138,876	$139,500
Goodwill arising from acquisitions	1,357	—
Other	138	(624)
Balance at end of year	$140,371	$138,876

8. ACCRUED AND OTHER LIABILITIES

Accrued liabilities consist of the following (in thousands):

	2008	2007
Payroll	$ 94,389	$107,629
Gift cards	85,897	83,105
Property tax	32,996	31,976
Insurance	32,512	31,091
Sales tax	30,433	31,002
Other	55,716	45,228
	$331,943	$330,031

8. ACCRUED AND OTHER LIABILITIES (Continued)

Other liabilities consist of the following (in thousands):

	2008	2007
Straight-line rent	$ 57,584	$ 58,887
Insurance	43,146	37,129
Landlord contributions	30,907	31,049
Unrecognized tax benefits (see Note 9)	23,701	—
Other	14,922	15,485
	$170,260	$142,550

9. INCOME TAXES

The provision for income taxes from continuing operations consists of the following (in thousands):

	2008	2007	2006
Current income tax expense:			
Federal	$ 59,500	$ 94,418	$ 98,267
State	10,959	13,259	12,170
Foreign	1,808	1,431	1,391
Total current income tax expense	72,267	109,108	111,828
Deferred income tax benefit:			
Federal	(62,646)	(18,756)	(18,638)
State	(6,489)	(1,931)	(1,742)
Total deferred income tax benefit	(69,135)	(20,687)	(20,380)
	$ 3,132	$ 88,421	$ 91,448

A reconciliation between the reported provision for income taxes from continuing operations and the amount computed by applying the statutory Federal income tax rate of 35% to income before provision for income taxes is as follows (in thousands):

	2008	2007	2006
Income tax expense at statutory rate	$ 19,197	$111,465	$106,889
FICA tax credit	(23,835)	(23,307)	(22,774)
State income taxes, net of Federal benefit	2,902	7,363	6,778
Tax settlements	—	(6,790)	(5,529)
Stock-based compensation	(289)	576	4,077
Other	5,157	(886)	2,007
	$ 3,132	$ 88,421	$ 91,448

9. INCOME TAXES (Continued)

The income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities as of June 25, 2008 and June 27, 2007 are as follows (in thousands):

	2008	2007
Deferred income tax assets:		
Leasing transactions	$ 43,740	$ 43,884
Stock-based compensation	19,601	14,636
Restructure charges and impairments	54,681	4,284
Insurance reserves	4,590	3,967
Employee benefit plans	2,019	2,235
Other, net	21,385	17,616
Total deferred income tax assets	146,016	86,622
Deferred income tax liabilities:		
Prepaid expenses	19,810	20,408
Goodwill and other amortization	15,768	14,324
Depreciation and capitalized interest on property and equipment	5,969	18,530
Captive insurance	2,998	6,397
Other, net	6,716	6,085
Total deferred income tax liabilities	51,261	65,744
Net deferred income tax asset	$ 94,755	$ 20,878

As a result of the adoption of FIN 48 we recognized an $847,000 decrease in the liability for unrecognized tax benefits, net of the federal deferred tax benefit, with a corresponding increase to retained earnings. A reconciliation of the 2008 beginning and ending amount of unrecognized tax benefits is a follows:

	(in thousands)
Balance at June 28, 2007	$23,193
Additions based on tax positions related to fiscal 2008	5,587
Additions based on tax positions related to prior years	57
Settlements with tax authorities	(1,081)
Expiration of statute of limitations	(617)
Balance at June 25, 2008	$27,139

The total amount of unrecognized tax benefits as of June 25, 2008 was $27.1 million ($19.9 million of which would favorably affect the effective tax rate if resolved in our favor due to the effect of deferred tax benefits). During the next twelve months, we anticipate that it is reasonably possible that the amount of unrecognized tax benefits could be reduced by approximately $3.3 million ($2.3 million of which would affect the effective tax rate due to the effect of deferred tax benefits) either because our tax position will be sustained upon audit or as a result of the expiration of the statute of limitations for specific jurisdictions.

We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense. During 2008 we recognized approximately $1.3 million in interest. As of June 25, 2008, we had $5.3 million ($3.8 million net of a $1.5 million Federal deferred tax benefit) of interest and penalties

9. INCOME TAXES (Continued)

accrued, compared to $4.3 million ($3.3 million net of a $1.0 million federal deferred tax benefit) at June 28, 2007.

10. DEBT

Long-term debt consists of the following (in thousands):

	2008	2007
Term loan	$400,000	$ —
Credit facilities	158,000	481,498
5.75% notes	299,070	298,913
Capital lease obligations (see Note 11)	46,507	48,268
	903,577	828,679
Less current installments	(1,973)	(1,761)
	$901,604	$826,918

In October 2007, we entered into a three-year term loan agreement for $400 million and terminated a one-year unsecured committed credit facility of $400 million. The term loan proceeds were used to pay off all outstanding amounts under the one-year unsecured committed credit facility. The term loan bears interest at LIBOR plus an applicable margin, which is a function of our credit rating at such time, but is subject to a maximum of LIBOR plus 1.5% and expires in October 2010. At June 25, 2008, $400.0 million was outstanding and, based on our current credit rating, we are paying interest at a rate of LIBOR plus 0.65% (3.13%).

We have credit facilities aggregating $550.0 million at June 25, 2008. A revolving credit facility of $300.0 million bears interest at LIBOR plus 0.75% (3.23% as of June 25, 2008) with a maximum rate of LIBOR plus 1.5% and expires in October 2009. At June 25, 2008, no balance was outstanding under this facility. In August 2007, we extended the $50.0 million uncommitted credit facility through August 2008. In September 2007, we increased the $50.0 million uncommitted credit facility to $100.0 million and extended the expiration date to September 2008. The uncommitted credit facility of $100.0 million bears interest at LIBOR plus 0.23% (2.71% as of June 25, 2008). At June 25, 2008, $100.0 million was outstanding under this facility. The remaining credit facility of $150.0 million is an uncommitted obligation giving the lender an option not to extend funding and bears interest based upon a negotiated rate (federal funds rate plus 0.84% or 2.90% as of June 25, 2008). Our current borrowing capacity under this credit facility as of June 25, 2008 was $150.0 million based on our current credit rating. At June 25, 2008, $58.0 million was outstanding under this facility.

Unused credit facilities available to us totaled $392.0 million at June 25, 2008. Obligations under our credit facilities, which require short-term repayments, have been classified as long-term debt, reflecting our intent and ability to refinance these borrowings through other existing credit facilities.

In December 2007, we terminated a $10.0 million revolving credit facility which was set to expire in July 2011 and paid off the outstanding balance of $3.6 million.

In May 2004, we issued $300.0 million of 5.75% notes and received proceeds totaling approximately $298.4 million prior to debt issuance costs. The Notes require semi-annual interest payments and mature in June 2014.

10. DEBT (Continued)

Our debt agreements contain various financial covenants that, among other things, require the maintenance of certain leverage and fixed charge coverage ratios. We are currently in compliance with all financial covenants.

Excluding capital lease obligations (see Note 11) our long-term debt maturities for the five years following June 25, 2008 are as follows (in thousands):

Fiscal Year	
2009	$158,000
2010	—
2011	400,000
2012	—
2013	—
Thereafter	299,070
	$857,070

11. LEASES

(a) Capital Leases

We lease certain buildings under capital leases. The asset value of $32.6 million at June 25, 2008 and June 27, 2007, and the related accumulated amortization of $9.1 million and $7.4 million at June 25, 2008 and June 27, 2007, respectively, are included in property and equipment. Amortization of assets under capital leases is included in depreciation and amortization expense.

(b) Operating Leases

We lease restaurant facilities, office space, and certain equipment under operating leases having terms expiring at various dates through fiscal 2093. The restaurant leases have renewal clauses of 1 to 35 years at our option and, in some cases, have provisions for contingent rent based upon a percentage of sales in excess of specified levels, as defined in the leases. Rent expense for fiscal 2008, 2007, and 2006 was $145.6 million, $149.1 million, and $135.6 million, respectively. Contingent rent included in rent expense for fiscal 2008, 2007, and 2006 was $9.0 million, $10.9 million, and $12.7 million, respectively.

11. LEASES (Continued)

(c) Commitments

As of June 25, 2008, future minimum lease payments on capital and operating leases were as follows (in thousands):

Fiscal Year	Capital Leases	Operating Leases
2009	$ 4,948	$121,864
2010	5,040	114,076
2011	5,134	106,310
2012	5,244	96,882
2013	5,342	85,927
Thereafter	44,503	345,586
Total minimum lease payments	70,211	$870,645
Imputed interest (average rate of 7%)	(23,704)	
Present value of minimum lease payments	46,507	
Less current installments	(1,973)	
	$ 44,534	

As of June 25, 2008, we had entered into other lease agreements for restaurant facilities currently under construction or yet to be constructed. Classification of these leases as capital or operating has not been determined as construction of the leased properties has not been completed.

12. STOCK-BASED COMPENSATION

In November 2005, our shareholders approved the Performance Share Plan, the Restricted Stock Unit Plan, and amendments to the 1998 Stock Option and Incentive Plan and the 1999 Stock Option and Incentive Plan for Non-Employee Directors and Consultants (collectively, the "Plans"), authorizing the issuance of up to 33.3 million shares of our common stock to employees and non-employee directors and consultants. The Plans provide for grants of options to purchase our common stock, restricted stock, restricted stock units, performance shares and stock appreciation rights.

(a) Stock Options

Expense related to stock options issued to eligible employees under the Plans is recognized using a graded-vesting schedule over the vesting period. For options granted after the adoption of SFAS 123R on June 30, 2005, expense is recognized to the date on which retirement eligibility is achieved, if shorter than the vesting period. Stock options generally vest over a period of 1 to 4 years and have contractual terms to exercise of 8 to 10 years. Full or partial vesting of awards may occur upon a change in control (as defined in the Plans), or upon an employee's death, disability or involuntary termination.

12. STOCK-BASED COMPENSATION (Continued)

Transactions during fiscal 2008 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 27, 2007	7,588	$ 21.34		
Granted	651	28.26		
Exercised	(274)	19.25		
Forfeited	(351)	24.40		
Options outstanding at June 25, 2008	7,614	$ 21.86	5.16	$ (17,062)
Options exercisable at June 25, 2008	6,315	$ 20.85	4.90	$ (7,758)

At June 25, 2008, unrecognized compensation expense related to stock options totaled approximately $2.1 million and will be recognized over a weighted average period of 2.6 years. The intrinsic value of options exercised totaled approximately $1.5 million, $38.8 million and $23.3 million during fiscal 2008, 2007 and 2006, respectively.

(b) Restricted Share Awards

Restricted share awards consist of performance shares, restricted stock and restricted stock units. Performance shares and most restricted stock units issued to eligible employees under the Plans generally vest in full on the third anniversary of the date of grant, while restricted stock units issued to eligible employees under our career equity plan generally vest upon each employee's retirement from the Company. Expense is recognized ratably over the vesting period, or to the date on which retirement eligibility is achieved, if shorter. Restricted stock and restricted stock units issued to eligible employees under our long-term incentive plans generally vest one-third per year beginning on the first or third anniversary of the date of grant. Restricted stock and restricted stock units issued to non-employee directors under the Plans vest in full on the fourth anniversary of the date of grant and are expensed when granted. Full or partial vesting of awards may occur upon a change in control (as defined in the Plans), or upon an employee's death, disability or involuntary termination.

Transactions during fiscal 2008 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 27, 2007	2,387	$ 22.22
Granted	892	24.76
Vested	(115)	25.43
Forfeited	(410)	22.12
Restricted share awards outstanding at June 25, 2008	2,754	$ 22.92

At June 25, 2008, unrecognized compensation expense related to restricted share awards totaled approximately $16.4 million and will be recognized over a weighted average period of 2.1 years. The fair value of shares that vested during fiscal 2008, 2007, and 2006 totaled approximately $3.2 million, $1.8 million and $3.0 million, respectively.

13. SAVINGS PLANS

We sponsor a qualified defined contribution retirement plan ("Plan I") covering all employees who have attained the age of twenty-one and have completed one year and 1,000 hours of service. Plan I allows eligible employees to contribute, subject to IRS limitations on total annual contributions, up to 50% of their base compensation and 100% of their eligible bonuses, as defined in the plan, to various investment funds. We match in cash at a rate of 100% of the first 3% an employee contributes and 50% of the next 2% the employee contributes with immediate vesting. In fiscal 2008, 2007, and 2006, we contributed approximately $8.9 million, $8.2 million, and $3.5 million, respectively.

We also sponsor a non-qualified defined contribution plan covering a select group of highly compensated employees, as defined in the plan. Eligible employees are allowed to defer receipt of up to 50% of their base compensation, as defined in the plan. There is no company match, but employee contributions earn interest based on a rate determined and announced in November prior to the start of the plan year. Employee contributions and earnings thereon vest immediately. A Rabbi Trust is used to fund obligations of the non-qualified plan. The market value of the trust assets is included in other assets and the liability to plan participants is included in other liabilities.

14. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest and income taxes is as follows (in thousands):

	2008	2007	2006
Income taxes, net of refunds	$62,260	$100,593	$115,877
Interest, net of amounts capitalized	48,919	26,167	22,319

Non-cash investing and financing activities are as follows (in thousands):

	2008	2007	2006
Retirement of fully depreciated assets	$21,778	$40,133	$ 49,488
Net decrease in fair value of interest rate swaps	—	—	(12,101)

15. CONTINGENCIES

As of June 25, 2008, we guaranteed lease payments totaling $154.0 million as a result of the sale of certain brands and the sale of restaurants to franchisees. 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 2009 through fiscal 2023. We remain secondarily liable for the leases. In the event of default, the indemnity and default clauses in our assignment agreements govern our ability to pursue and recover damages incurred. No material liabilities have been recorded as of June 25, 2008.

Certain current and former hourly restaurant employees filed a lawsuit against us in California Superior Court alleging violations of California labor laws with respect to meal and rest breaks. The lawsuit seeks penalties and attorney's fees and was certified as a class action in July 2006. On July 22, 2008, the California Court of Appeal decertified the class action on all claims with prejudice. We cannot anticipate what actions the plaintiff will take in response to this ruling, but we intend to vigorously defend our position. It is not possible at this time to reasonably estimate the possible loss or range of loss, if any.

We are engaged in various other legal proceedings and have certain unresolved claims pending. The ultimate liability, if any, for the aggregate amounts claimed cannot be determined at this time. However,

15. CONTINGENCIES (Continued)

management, 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 our consolidated financial condition or results of operations.

16. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following table summarizes the unaudited consolidated quarterly results of operations for fiscal 2008 and 2007 (in thousands, except per share amounts):

	Fiscal Year 2008 Quarters Ended			
	Sept. 26	Dec. 26	March 26	June 25
Revenues	$1,054,686	$1,029,785	$1,077,183	$1,073,569
Income (loss) before provision for income taxes	$ 52,863	$ 78,106	$ (70,158)	$ (5,957)
Income (loss) from continuing operations	$ 37,600	$ 54,480	$ (38,818)	$ (1,540)
Basic net income (loss) per share from continuing operations	$ 0.35	$ 0.53	$ (0.38)	$ (0.02)
Diluted net income (loss) per share from continuing operations	$ 0.34	$ 0.52	$ (0.38)	$ (0.02)
Basic weighted average shares outstanding	106,464	103,498	101,175	101,267
Diluted weighted average shares outstanding	109,155	105,339	102,377	102,717

	Fiscal Year 2007 Quarters Ended			
	Sept. 27	Dec. 27	March 28	June 27
Revenues	$1,039,935	$1,070,587	$1,123,428	$1,142,954
Income before provision for income taxes	$ 69,953	$ 64,357	$ 77,327	$ 106,833
Income from continuing operations	$ 47,639	$ 44,192	$ 54,571	$ 83,647
Basic net income per share from continuing operations	$ 0.38	$ 0.36	$ 0.45	$ 0.73
Diluted net income per share from continuing operations	$ 0.38	$ 0.35	$ 0.43	$ 0.71
Basic weighted average shares outstanding	124,280	123,451	122,019	114,606
Diluted weighted average shares outstanding	126,098	126,641	125,712	118,032

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Brinker International, Inc.:

We have audited the accompanying consolidated balance sheets of Brinker International Inc. and subsidiaries ("the Company") as of June 25, 2008 and June 27, 2007, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended June 25, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Brinker International, Inc. and subsidiaries as of June 25, 2008 and June 27, 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended June 25, 2008, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of June 25, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated August 22, 2008 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

As discussed in Note 1 of the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 123R (revised 2004), "Share-Based Payment" in fiscal year 2006. Also as discussed in Note 1 of the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" in fiscal year 2008.

KPMG LLP

Dallas, Texas
August 22, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Brinker International, Inc.:

We have audited Brinker International, Inc.'s internal control over financial reporting as of June 25, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 25, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 25, 2008 and June 27, 2007, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 25, 2008, and our report dated August 22, 2008 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Dallas, Texas
August 22, 2008

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the reliability of the consolidated financial statements and related notes, which have been prepared in conformity with U. S. generally accepted accounting principles and include amounts based upon our estimate and judgments, as required. The consolidated financial statements have been audited and reported on by our independent registered public accounting firm, KPMG LLP, who were given free access to all financial records and related data, including minutes of the meetings of the Board of Directors and Committees of the Board. We believe that the representations made to the independent auditors were valid and appropriate.

We maintain a system of internal controls over financial reporting designed to provide reasonable assurance of the reliability of the consolidated financial statements. Our internal audit function monitors and reports on the adequacy of the compliance with the internal control system and appropriate actions are taken to address significant control deficiencies and other opportunities for improving the system as they are identified. The Audit Committee of the Board of Directors, which is comprised solely of outside directors, provides oversight to the financial reporting process through periodic meetings with our independent auditors, internal auditors, and management. Both our independent auditors and internal auditors have free access to the Audit Committee. Although no cost-effective internal control system will preclude all errors and irregularities, we believe our controls as of and for the year ended June 25, 2008 provide reasonable assurance that the consolidated financial statements are reliable.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting. We have assessed the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, we concluded that our internal control over financial reporting was effective as of June 25, 2008.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projection of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The effectiveness of our internal control over financial reporting as of June 25, 2008 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in its attestation report which is included herein.

DOUGLAS H. BROOKS
President and Chief Executive Officer

CHARLES M. SONSTEBY
Executive Vice President and Chief Financial Officer

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Exhibit 21

BRINKER INTERNATIONAL, INC., A DELAWARE CORPORATION
SUBSIDIARIES

REGISTRANT'S subsidiaries operate full-service restaurants in various locations throughout the United States under the names Chili's Grill & Bar, Romano's Macaroni Grill, On The Border Mexican Grill & Cantina, and Maggiano's Little Italy.

BRINKER RESTAURANT CORPORATION, a Delaware corporation
MAGGIANO'S, INC., an Illinois corporation
BRINKER ALABAMA, INC., a Delaware corporation
BRINKER ARKANSAS, INC., a Delaware corporation
BRINKER OF CARROLL COUNTY, INC., a Maryland corporation
BRINKER CONNECTICUT CORPORATION, a Delaware corporation
BRINKER DELAWARE, INC., a Delaware corporation
BRINKER OF FREDERICK COUNTY, INC., a Maryland corporation
BRINKER FLORIDA, INC., a Delaware corporation
BRINKER GEORGIA, INC., a Delaware corporation
BRINKER INDIANA, INC., a Delaware corporation
BRINKER IOWA, INC., a Delaware corporation
BRINKER KENTUCKY, INC., a Delaware corporation
BRINKER LOUISIANA, INC., a Delaware corporation
BRINKER MASSACHUSETTS CORPORATION, a Delaware corporation
BRINKER MISSISSIPPI, INC., a Delaware corporation
BRINKER MISSOURI, INC., a Delaware corporation
BRINKER OF MONTGOMERY COUNTY, INC., a Maryland corporation
BRINKER NEVADA, INC., a Nevada corporation
BRINKER NEW JERSEY, INC., a Delaware corporation
BRINKER NORTH CAROLINA, INC., a Delaware corporation
BRINKER OHIO, INC., a Delaware corporation
BRINKER OKLAHOMA, INC., a Delaware corporation
BRINKER SOUTH CAROLINA, INC., a Delaware corporation
BRINKER VIRGINIA, INC., a Delaware corporation
BRINKER TEXAS, INC., a Delaware corporation
CHILI'S BEVERAGE COMPANY, INC., a Texas corporation
CHILI'S, INC., a Tennessee corporation
CHILI'S OF MINNESOTA, INC., a Minnesota corporation
CHILI'S OF KANSAS, INC., a Kansas corporation
BRINKER PENN TRUST, a Pennsylvania business trust
CHILI'S OF WEST VIRGINIA, INC., a West Virginia corporation
CHILI'S OF WISCONSIN, INC., a Wisconsin corporation
BRINKER FREEHOLD, INC., a New Jersey corporation
MAGGIANO'S OF TYSON'S, INC., a Virginia corporation
ROMANO'S OF ANNAPOLIS, INC., a Maryland corporation
CHILI'S OF BEL AIR, INC., a Maryland corporation
CHILI'S OF MARYLAND, INC., a Maryland corporation
BRINKER OF BALTIMORE COUNTY, INC., a Maryland corporation
BRINKER OF HOWARD COUNTY, INC., a Maryland corporation
BRINKER OF PRINCE GEORGE'S COUNTY, INC., a Maryland corporation
BRINKER RHODE ISLAND, INC., a Rhode Island corporation
BRINKER OF D.C., INC., a Delaware corporation
CHILI'S, INC., a Delaware corporation
MAGGIANO'S BEVERAGE COMPANY, a Texas corporation
MAGGIANO'S HOLDING CORPORATION, a Delaware corporation
MAGGIANO'S TEXAS, INC., a Delaware corporation
BRINKER VERMONT, INC., a Vermont corporation
BRINKER OF CHARLES COUNTY, INC., a Maryland corporation
BRINKER OF CECIL COUNTY, INC., a Maryland corporation
BRINKER MICHIGAN, INC., a Delaware corporation

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Exhibit 21

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Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Brinker International, Inc.:

We consent to the incorporation by reference in Registration Statement Nos. 33-61594, 33-56491, 333-02201, 333-93755, 333-42224, 333-105720, and 333-125289 on Form S-8, 333-74902 on Form S-3 and 333-116879 on Form S-4 of Brinker International, Inc. of our reports dated August 22, 2008, with respect to the consolidated balance sheets of Brinker International, Inc. as of June 25, 2008 and June 27, 2007, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 25, 2008, and the effectiveness of internal control over financial reporting as of June 25, 2008, which reports appear in the 2008 Annual Report on Form 10-K of Brinker International, Inc.

Our report dated August 22, 2008, with respect to the consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 25, 2008 and June 27, 2007, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 25, 2008 refers to the adoption of the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment," in fiscal year 2006 and the adoption of the provisions of the Financial Accounting Standards Board's Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," in fiscal year 2008.

KPMG LLP

Dallas, Texas
August 22, 2008

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Exhibit 23

Exhibit 31(a)

CERTIFICATION

I, Douglas H. Brooks, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 annual 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 annual 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.

Dated: August 25, 2008

/s/ DOUGLAS H. BROOKS

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

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Exhibit 31(a)

Exhibit 31(b)

CERTIFICATION

I, Charles M. Sonsteby, certify that:

1. I have reviewed this Annual Report on Form 10-K 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.

Dated: August 25, 2008

/s/ CHARLES M. SONSTEBY

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

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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 Annual Report on Form 10-K for the year ended June 25, 2008 (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.

Dated: August 25, 2008

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

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Exhibit 32(a)

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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 Annual Report on Form 10-K for the year ended June 25, 2008 (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.

Dated: August 25, 2008

By:	/s/ CHARLES M. SONSTEBY
Name:	Charles M. Sonsteby
Title:	*Executive Vice President and Chief Financial Officer (Principal Financial Officer)*

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