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 30, 2010 **Commission File No. 1-10275**

BRINKER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

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

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 ☐

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 ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ 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 ☐

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. ☐

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 ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ 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. $1,555,109,775.

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 13, 2010
Common Stock, $0.10 par value	101,573,609 shares

DOCUMENTS INCORPORATED BY REFERENCE

We have incorporated portions of our Annual Report to Shareholders for the fiscal year ended June 30, 2010 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 November 10, 2010, to be dated on or about September 27, 2010, 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") and Maggiano's Little Italy ("Maggiano's") 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 acquisition of Maggiano's in August 1995. We sold Romano's Macaroni Grill to Mac Acquisition LLC, an affiliate of San Francisco-based Golden Gate Capital, in December 2008 and currently hold an 18.2% ownership interest in the new entity.

Restaurant Brands

Chili's Grill & Bar

Chili's is a recognized leader in the Bar & Grill category of casual dining. Every day at our Chili's locations in 29 countries and two U.S. territories around the world, we open the doors to our restaurants and invite our guests with one consistent greeting "Welcome to Chili's". Hospitality has been the foundation of who we are and how we serve our guests for more than 35 years.

Chili's menu features signature offerings such as Big Mouth Burgers and Bites, slow smoked in-house Baby Back Ribs, hand-battered Chicken Crispers, Sizzling Fajitas and our craveable homemade salsa and chips, to name just a few. Our all-day varied menu strives to have something for everyone and affordable selections during both lunch and dinner. 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, our new World's Freshest Margarita, and a full selection of alcoholic beverages. Chili's also offers time-starved guests the convenience of great quality food, via our To-Go menu, new on-line ordering, and separate To-Go entrances in the majority of our restaurants, so our guests can get what they want and get on with their daily life.

During the year ending June 30, 2010, entrée selections ranged in menu price from $5.79 to $16.99. The average revenue per meal, including alcoholic beverages, was approximately $13.30 per person. During this same year, food and non-alcoholic beverage sales constituted approximately 87.0% of Chili's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 13.0%. Our average annual sales volume per Chili's restaurant during this same year was $3.0 million.

Maggiano's Little Italy

Maggiano's is a full-service, national, casual dining Italian restaurant brand with a passion for making people feel special. 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 our restaurants also have extensive banquet facilities that can host large party events. We have a full lunch and dinner menu offering chef-prepared, classic Italian-American fare in the form of appetizers, entrées with bountiful portions of pasta, chicken, seafood, veal and prime steaks, and desserts. Our Maggiano's restaurants also offer a full range of alcoholic beverages, including a selection of quality premium wines. In addition, Maggiano's offers a full carryout menu as well as local delivery services.

During the year ending June 30, 2010, entrée selections ranged in menu price from $8.25 to $40.75. The average revenue per meal, including alcoholic beverages, was approximately $25.74 per person. During this same year, food and non-alcoholic beverage sales constituted approximately 82.0% of Maggiano's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 18.0%. Sales from our banquet facilities made up 19.6% of our total restaurant revenues for the year. Our average annual sales volume per Maggiano's restaurant during this same year was $8.3 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, while also growing our international presence.

We are committed to strategies and initiatives that are centered on long-term sales and profit growth, enhancing our guest experience and team member engagement. Our strategies will allow us to ensure the long-term health of the company by differentiating our brands from the competition, reducing the costs associated with managing our restaurants and establishing a strong presence in key markets around the world. We will continue to take actions that will allow us to maintain a strong balance sheet and increase our ability to provide results in a variety of operating environments. We will monitor our results and the current business environment closely in order to pace the implementation of our initiatives appropriately and to ensure we maintain financial flexibility.

The casual dining industry has experienced challenging operating conditions during the past year. Economic conditions continued to negatively affect consumer confidence and spending. Some degree of recovery was evident during the first calendar quarter; however, these modest gains were eroded in the second calendar quarter. Unemployment and underemployment remain high and consumer confidence is volatile. Eating out is considered by most consumers to be a discretionary expenditure and as a result, casual dining performance is highly correlated to employment and consumer confidence levels which remain low. In response to these challenges, we have focused on strengthening our business model, rationalizing our asset base and maintaining the necessary liquidity to pay down debt and fund new initiatives. We are well positioned to emerge from the current economic environment a stronger, more efficient company. In particular, we completed the sale of the On The Border Mexican Grill & Cantina restaurant brand to OTB Acquisition LLC, an affiliate of Golden Gate Capital, at the end of fiscal year 2010, and we intend to redeploy the proceeds of the sale primarily to repurchase shares of our stock. We will continually evaluate how we manage the business and make necessary changes in response to competition and the economic factors affecting the business.

In fiscal 2010 we have made progress toward our goal of driving profitable growth over the long term. Part of our long term strategy is to enhance our menu to deliver fresh, high quality food. We have transformed the menu at Chili's by introducing new items and implementing quality enhancements on existing favorites. The new menu was a significant change for our restaurants which impacted labor costs and guest satisfaction. We have experienced improvements recently in both areas and remain confident that the changes will stimulate sales growth over time. We will continue to evaluate our menu offerings by considering guest preferences and feedback in an effort to refine our products and processes to improve quality and efficiency. Our fiscal 2010 marketing strategy promoted the new menu by presenting compelling values to drive traffic. Discounting has been prevalent during the year; however, we believe that this is only one option to drive sales and traffic. Our long-term strategy is to balance value and innovation. Our belief is that our continued focus on quality and innovation will result in stronger brands and sustainable sales and profit growth through increased guest loyalty and traffic.

We continue to take a disciplined approach to operations, including a focus on effective management of food costs, labor productivity and fixed costs. To further enhance our operating efficiency and profitability, we are making significant investments in our restaurant equipment and technology, including new kitchen equipment and new restaurant information systems. New cooking equipment will allow for accelerated cooking to increase the speed of our kitchens and improve the consistency and quality of our food. Additionally, we anticipate reduced labor costs using this equipment. Implementing new restaurant information systems will increase profitability through reduced software maintenance costs and better inventory control through more timely and enhanced variance reporting and ordering controls. Additionally, we are implementing changes to our service model which we believe will provide improved service at a lower cost. We will continue to invest in our restaurants through a routine maintenance and a remodel program. We plan to remodel a significant number of company-owned restaurants beginning in fiscal 2011, revitalizing the Chili's brand in a way which is apparent to the guest and changes the expectations for the quality of the experience. Our emphasis on the operations of our existing restaurants and these initiatives will result in enhanced quality and profitability while providing our guests a high quality experience.

We are generating solid operating cash flow and have the liquidity to address the current challenges facing our business. We have significantly reduced our debt level while maintaining an appropriate level of capital investment in our existing restaurants. In June 2010, we refinanced our revolver and term loans providing further flexibility for managing our liquidity needs. We will have sufficient cash flow flexibility for investment in projects that will positively impact the business and enhance shareholder value.

We strongly believe the investments being made in our current initiatives will strengthen our brands and allow us to improve our competitive position and deliver profitable growth over the long term for our shareholders. Our unique food and signature drinks; our culinary innovations; and our updated atmospheres will drive positive sales growth and guest loyalty. Global expansion allows further diversification which will enable us to build strength in a variety of markets and economic conditions. We expect to achieve this expansion through equity investments and franchise relationships, taking advantage of demographic and eating trends that will accelerate in the international market over the next decade. Our growing percentage of franchise operations, both domestically and internationally, enables us to improve margins as royalty payments impact profitability.

The casual dining industry is a competitive business which is sensitive to changes in economic conditions, trends in lifestyles and fluctuating costs. Our priority remains increasing profit growth over time. We believe that this focus, combined with discipline around the use of capital and efficient management of operating expenses, will enable us to maintain our position as an industry leader. We remain confident in the financial health of our company, the long-term prospects of the industry as well as our ability to perform effectively in a competitive marketplace and a variety of economic environments.

Franchise Development

In fulfilling our long-term vision, our restaurant brands will continue to expand primarily through our franchisees and joint venture partners.

As part of our strategy to expand through our franchisees, our overall percentage of franchise operations (domestically and internationally) increased in fiscal 2010. The following table illustrates the percentages of franchise operations (versus total restaurants) as of June 30, 2010 for the Company and by restaurant brand:

	Percentage of Franchise Operated Restaurants	
	Domestic	International
Brinker	30%	14%
Chili's	31%	14%
Maggiano's	—	2%

International

We continue our international growth through development agreements with new and existing franchisees and joint venture partners introducing our brands into new countries, as well as expanding them in existing countries. At June 30, 2010, we had 43 total development arrangements. During the fiscal year 2010, our international franchisees and joint venture partners opened 22 Chili's restaurants and one Maggiano's restaurant. In the same year, we entered into new or renewed development agreements with four franchisees for the development of 17 Chili's restaurants. The areas of development for these locations include all or portions of the following countries: Egypt, Peru, Philippines, Qatar and Syria. With over 200 franchised restaurant locations internationally, we are making solid progress toward our goal of 425 Chili's restaurants by the end of 2014.

As we develop our brands internationally, we will selectively pursue expansion through various means, including franchising and joint ventures. 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.

Domestic

Domestic expansion is focused 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 30, 2010, 14 total domestic development arrangements existed. Similar to our international franchise agreements, 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.

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.

During the year ended June 30, 2010, not including any restaurants we sold to our franchisees, our domestic franchisees opened 13 Chili's restaurants. We also entered into a new development agreement with an existing franchisee for the development of five Chili's restaurants. The areas of development for these franchise locations include all or portions of the States of Iowa, Kansas, Missouri and Nebraska. In connection with this development agreement, we sold 21 Company-owned Chili's restaurants to this franchisee.

Company Development

Our near-term focus continues to be less on domestic development of new company-operated restaurants allowing us to focus on our other strategic initiatives and areas of focus. We will continue to evaluate the development of new company-operated restaurants.

The following table illustrates the system-wide restaurants opened in fiscal 2010 and the planned openings in fiscal 2011:

	Fiscal 2010 Openings(1)	Fiscal 2011 Projected Openings
Chili's:		
Company-operated	—	—
Franchise(2)	13	10-13
Maggiano's	1	—
International:		
Company-operated(3)	—	—
Franchise(3)	23	43-48
Total	37	53-61

(1) The numbers in this column are the total of new restaurant openings and openings of relocated restaurants during fiscal 2010.

(2) The numbers on this line for fiscal 2011 are projected domestic franchise openings.

(3) The numbers on this line are for Chili's and Maggiano's.

We periodically reevaluate company-owned restaurant sites to ensure that site 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 current restaurant brands, we have closed 138 restaurants, including 11 in fiscal 2010. 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.

Our capital investment in new restaurants may differ in the future due to building design specifications, site location, and site characteristics. We did not open any company-owned Chili's restaurants and only opened one Maggiano's restaurant in fiscal 2010. The following table illustrates the approximate average capital investment for company-owned restaurants opened in the noted periods:

	Chili's(3)	Maggiano's(4)
Land(1)	$ 1,215,000	$ 1,529,000
Building	1,940,000	4,693,000
Furniture & Equipment	525,000	1,299,000
Other(2)	55,000	34,000
Total	$ 3,735,000	$ 7,555,000

(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.

(3) We did not open any company-owned Chili's restaurants in fiscal 2010. These amounts represent average capital investment for a Chili's restaurant in fiscal 2009. We did oversee development of two domestic franchise locations in fiscal 2010. These locations were not prototypical and had average cost for the building of $1,366,000, furniture and equipment of $553,000, and other of $22,000.

(4) We opened one company-owned Maggiano's restaurant in fiscal 2010.

Restaurant Management

Our Chili's and Maggiano's brands have separate designated teams that support each brand for operations, finance, franchise, marketing, peopleworks and culinary. We believe these teams foster the unique identities of our brands. We continue to utilize common and shared infrastructure, including, among other services, accounting, information technology, purchasing, legal and restaurant development.

At the restaurant level, management structure varies by brand. The individual restaurants themselves are led by a management team including a general manager, two to six additional managers, and for Maggiano's, three to four chefs. The level of restaurant supervision depends upon the operating complexity and sales volume of each brand and each location.

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 two to four month training period for restaurant management trainees. We also provide continued management training for managers and supervisors to improve effectiveness or prepare them for more responsibility. Training teams consisting of groups of team members experienced in all facets of restaurant operations train new team members to open new restaurants.

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 and safety 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 when appropriate 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 and encourage them to evaluate new technologies for food safety and humane processing improvements. 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. In choosing not to cook, these consumers want the higher food quality, the time to relax with family and friends and the enhanced dining experience that our restaurant brands offer. To reach this target group, we use a mix of television, radio, print, outdoor or online advertising, mail (direct and electronic) and social networking, with each of our restaurant brands utilizing one or more of these mediums to meet the brand's communication strategy and budget. Our brands have also developed and use to varying degrees sophisticated consumer marketing research techniques to monitor guest satisfaction and emerging culinary trends, as well as to validate menu development and creative campaigns.

Our franchise agreements generally require advertising contributions to us by the franchisees. We use these contributions for the purpose of helping retain an advertising agency, 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 30, 2010, we employed approximately 68,800 team members, of whom approximately 700 were restaurant support center personnel, 4,400 were restaurant area directors, managers or trainees and 63,700 were employed in non-management restaurant positions. Our executive officers have an average of approximately 25 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. Some of these tools 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 Margarita Bar", "Chili's Southwest Grill & Bar", "Chili's Too", "Maggiano's", and "Maggiano's Little Italy", 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. We 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, as well as the trend in quick service and fast casual restaurants toward higher quality food and beverage offerings. We compete primarily on the quality, variety and value perception of menu items, as well as the quality and efficiency of service, the attractiveness of facilities and the effectiveness of advertising and marketing programs.

Our restaurants also face competition from the introduction of new products and menu items by competitors, as well as substantial price discounting and other offers, and are likely to face such competition in the future. Although we may implement a number of business strategies, the future success of new products, initiatives and overall strategies is highly difficult to predict and will be influenced by competitive product offerings, pricing and promotions offered by competitors. Our ability to differentiate our brands from their competitors, which is in part limited by the advertising monies available to us and by consumer perception, cannot be assured. These factors could reduce the gross sales or profitability at our restaurants, which would reduce the revenues generated by company-owned restaurants and royalty payments from franchisees.

Changing health or dietary preferences may cause consumers to avoid our products in favor of alternative foods. The food service industry as a whole rests on consumer preferences and demographic trends at the local, regional, national and international levels, and the impact on consumer eating habits of new information regarding diet, nutrition and health. We and our franchisees depend on the sustained demand for our products, which may be affected by factors we do not control. Changes in nutritional guidelines issued by the federal government agencies, issuance of similar guidelines or statistical information by other federal, state or local municipalities, or academic studies, among other things, may impact consumer choice and cause consumers to select foods other than those that are offered by our restaurants. We may not be able to adequately adapt our menu offerings to keep pace with developments in current consumer preferences, which may result in reductions to the revenues generated by our company-operated restaurants and the payments we receive from franchisees.

The global economic crisis continued to adversely impact our business and financial results in fiscal 2010 and a prolonged recession could materially affect us in the future.

The restaurant industry is dependent upon consumer discretionary spending. The global economic crisis has reduced consumer confidence to historic lows impacting the public's ability and/or desire to spend discretionary dollars as a result of job losses, home foreclosures, significantly reduced home values, investment losses in the financial markets, personal bankruptcies and reduced access to credit, resulting in lower levels of guest traffic in our restaurants. If this current difficult economic situation continues for a prolonged period of time and/or deepens in magnitude, our business, results of operations and ability to comply with the covenants under our credit facility could be materially affected. Continued deterioration in guest traffic and/or a reduction in the average amount guests spend in our restaurants will negatively impact our revenues. This will result in sales deleverage, spreading fixed costs across a lower level of sales, and will, in turn cause downward pressure on our profitability. The result could be further reductions in staff levels, asset impairment charges and potential restaurant closures. In addition, the adverse fiscal condition of any states where we operate restaurants could result in these state governments issuing IOUs rather than tax refunds or employee paychecks, which could affect guest spending patterns in these locations.

Future recessionary effects on us are unknown at this time and could have a potential material adverse effect on our financial position and results of operations. There can be no assurance that the government's plan to stimulate the economy will restore consumer confidence, stabilize the financial markets, increase liquidity and the availability of credit, or result in lower unemployment.

The current economic crisis could have a material adverse impact on our landlords or other tenants in retail centers in which we or our franchisees are located, which in turn could negatively affect our financial results.

If the recession continues or increases in severity, our landlords may be unable to obtain financing or remain in good standing under their existing financing arrangements, resulting in failures to pay required construction contributions or satisfy other lease covenants to us. In addition other tenants at retail centers in which we or our franchisees are located or have executed leases may fail to open or may cease operations. If our landlords fail to satisfy required co-tenancies, such failures may result in us or our franchisees terminating leases or delaying openings in these locations. Also, decreases in total tenant occupancy in retail centers in which we are located may affect guest traffic at our restaurants. All of these factors could have a material adverse impact on our operations.

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. 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.

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

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, including, tip credits, working conditions, safety standards and immigration status. 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 reviewing the health care reform law enacted by Congress in March of 2010 to evaluate the potential impact of this new law on our business, and to accommodate various parts of the law as they take effect. There are no assurances that a combination of cost management and price increases can accommodate all of the costs associated with compliance.

We are subject to laws and regulations, which vary from jurisdiction to jurisdiction, relating to nutritional content and menu labeling. Compliance with these laws and regulations may lead to increased costs and operational complexity, changes in sales mix and profitability, and increased exposure to governmental investigations or litigation. We do not expect to incur material costs from compliance with the provision of the new health care law requiring disclosure of calories on the menus, but cannot reliably anticipate any changes in guest behavior resulting from implementation of this portion of the law, which could have adverse effects on our sales or results of operations.

Each of our and our franchisees' restaurants is also 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 impact the continuing operations of an existing restaurant, or delay or prevent the opening of a new restaurant. Although we do not, at this time, anticipate any occurring in the future, we cannot assure you that we or our franchisees will not experience material difficulties or failures that could impact the continuing operations of an existing restaurant, or delay the opening of restaurants in the future.

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. In particular, the U.S. and other foreign governments have increased focus on environmental matters such as climate change, greenhouse gases and water conservation. This increased focus may lead to new initiatives directed at regulating an as yet unspecified array of environmental matters. These efforts could result in increased taxation or in future restrictions on or increases in costs associated with food and other restaurant supplies, transportation costs and utility costs, any of which could decrease our operating profits and/or necessitate future investments in our restaurant facilities and equipment to achieve compliance. Further, 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 continuing operations of an existing restaurant or the development of new restaurants in particular locations.

The impact of current laws and regulations, the effect of future changes in laws or regulations that impose additional requirements and the consequences of litigation relating to current or future laws and regulations, or our inability to respond effectively to significant regulatory or public policy issues, could increase our compliance and other costs of doing business and therefore have an adverse effect on our results of operations. Failure to comply with the laws and regulatory requirements of federal, state and local authorities could result in, among other things, revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability. Compliance with these laws and regulations can be costly and can increase our exposure to litigation or governmental investigations or proceedings.

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 in the recent past significant increases in utility prices. These increases have affected costs and if they occur again, it would have possible adverse effects on our profitability to the extent not otherwise recoverable through price increases or alternative products, processes or cost reduction procedures. Further, higher prices for petroleum-based fuels may be passed on to us by vendors putting further pressure on margins.

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, 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 or divestiture 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 business strategy plan, our profitability in the future may be adversely affected.

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

- increase gross sales and operating profits at existing restaurants with food and beverage options and high quality service desired by our guests through successful implementation of strategic initiatives;
- identify adequate sources of capital to fund and finance strategic initiatives, including remodeling of existing restaurants and new restaurant development;
- identify available, suitable and economically viable locations for new restaurants;
- obtain all required governmental permits (including zoning approvals and liquor licenses) on a timely basis;
- hire all necessary contractors and subcontractors, obtain construction materials at suitable prices, and maintain construction schedules; and
- hire and train or retain qualified managers and team members for existing and new restaurants.

The success of our franchisees is important to our future growth.

We have significantly increased the percentage of restaurants owned and operated by our franchisees. While our franchise agreements are designed to maintain brand consistency, this increase reduces our direct day-to-day control over these restaurants and may expose us to risks not otherwise encountered if we maintained ownership and control of same. These risks include franchisee defaults in their obligations to us arising from financial or other difficulties encountered by them, such as payments to us or maintenance and improvements obligations; limitations on enforcement of franchise obligations due to bankruptcy or insolvency proceedings; inability to participate in business strategy changes due to financial constraints; inability to meet rent obligations on leases on which we retain contingent liability; and failure to comply with food quality and preparation requirements subjecting us to litigation even when we are not legally liable for a franchisee's actions or failure to act.

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.

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.

We are dependent on information technology and any material failure of that technology could impair our ability to efficiently operate our business.

We rely on information systems across our operations, including, for example, point-of-sale processing in our restaurants, management of our supply chain, collection of cash, payment of obligations and various other processes and procedures. Our ability to efficiently manage our business depends significantly on the reliability and capacity of these systems. The failure of these systems to operate effectively, problems with maintenance, upgrading or transitioning to replacement systems, or a breach in security of these systems could cause delays in customer service and reduce efficiency in our operations. Significant capital investments might be required to remediate any problems.

We outsource certain business processes to third-party vendors that subject us to risks, including disruptions in business and increased costs.

Some business processes are currently outsourced to third parties. Such processes include gift card tracking and authorization, credit card authorization and processing, insurance claims processing, certain payroll processing, tax filings and other accounting processes. We also continue to evaluate our other business processes to determine if additional outsourcing is a viable option to accomplish our goals. We make a diligent effort to ensure that all providers of outsourced services are observing proper internal control practices, such as redundant processing facilities; however, there are no guarantees that failures will not occur. Failure of third parties to provide adequate services could have an adverse effect on our results of operations, financial condition or ability to accomplish our financial and management reporting.

Disruptions in the financial markets may adversely impact the availability and cost of credit and consumer spending patterns.

The disruptions to the financial markets and continuing economic downturn has adversely impacted the availability of credit already arranged and the availability and cost of credit in the future. The disruptions in the financial markets also had an adverse effect on the U.S. and world economy, which has negatively impacted consumer spending patterns. There can be no assurance that various U.S. and world government present and future responses to the disruptions in the financial markets will restore consumer confidence, stabilize the markets or increase liquidity or the availability of credit.

Declines in the market price of our common stock or changes in other circumstances that may indicate an impairment of goodwill could adversely affect our financial position and results of operations.

We perform our annual goodwill impairment test in the second quarter of each fiscal year. Interim goodwill impairment tests are also required when events or circumstances change between annual tests that would more likely than not reduce the fair value of our reporting units below their carrying value. It is possible that a change in circumstances such as the decline in the market price of our common stock or changes in consumer spending levels, or in the numerous variables associated with the judgments, assumptions and estimates made in assessing the appropriate valuation of our goodwill, could negatively impact the valuation of our brands and create the potential for a non-cash charge to recognize impairment losses on some or all of our goodwill. If we were required to write down a portion of our goodwill and record related non-cash impairment charges, our financial position and results of operations would be adversely affected.

Changes to estimates related to our property and equipment, or operating results that are lower than our current estimates at certain restaurant locations, may cause us to incur impairment charges on certain long-lived assets.

We make certain estimates and projections with regards to individual restaurant operations, as well as our overall performance in connection with our impairment analyses for long-lived assets. An impairment charge is required when the carrying value of the asset exceeds the estimated fair value or undiscounted future cash flows of the asset. The projection of future cash flows used in this analysis requires the use of judgment and a number of estimates and projections of future operating results. If actual results differ from our estimates, additional charges for asset impairments may be required in the future. If impairment charges are significant, our results of operations could be adversely affected.

Failure to protect the integrity and security of individually identifiable data of our guests and teammates could expose us to litigation and damage our reputation.

We receive and maintain certain personal information about our guests and teammates. The use of this information by us is regulated at the federal and state levels, as well as by certain third party contracts. If our security and information systems are compromised or our business associates fail to comply with these laws and regulations and this information is obtained by unauthorized persons or used inappropriately, it could adversely affect our reputation, as well as operations, results of operations and financial condition, and could result in litigation against us or the imposition of penalties. As privacy and information security laws and regulations change, we may incur additional costs to ensure it remains in compliance.

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; increased health care costs; health epidemics or pandemics or the prospects of these events (such as reports on swine 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 30, 2010, our system of company-owned and franchised restaurants included 1,550 restaurants located in 50 states, and Washington, D.C. We also have restaurants in the U.S. territories of Guam and Puerto Rico and the countries of Bahrain, Canada, Dominican Republic, Ecuador, Egypt, El Salvador, Germany, Guatemala, Honduras, India, Indonesia, Japan, Jordan, Kuwait, Lebanon, Malaysia, Mexico, Oman, Peru, Philippines, Portugal, Qatar, Saudi Arabia, Singapore, South Korea, Taiwan, Turkey, United Arab Emirates 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 30, 2010:

Chili's	
Company-owned	827
Franchise	678
Maggiano's	
Company-owned	44
Franchise	1
Total	1,550

Table 2: Domestic vs. foreign locations (by brand) as of June 30, 2010 (company-owned and franchised):

	Domestic (No. of States)	Foreign (No. of countries and territories)
Chili's	1,293(50)	212(31)
Maggiano's	44(20 & D.C.)	1

Restaurant Property Information

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

	Chili's	Maggiano's
Square Feet	3,930-5,450	12,000-17,000
Dining Seats	150-220	500-700
Dining Tables	35-50	100-150

The leases typically provide for a fixed rental plus percentage rentals based on sales volume. At June 30, 2010, we owned the land and building for 189 of our 871 company-operated restaurant locations. For these 189 restaurant locations, the net book value for the land was $145.0 million and for the buildings was $141.3 million.

For the remaining 1,361 restaurant locations leased by us, the net book value of the buildings and leasehold improvements was $635.0 million. The 682 leased restaurant locations can be categorized as follows: 537 are ground leases (where we lease land only, but own the building) and 145 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 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 us, reserved for future expansion of our headquarters, or sublet to third parties. Because of our operations throughout the United States, we also lease office space in California, Colorado, Florida, 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. On October 22, 2008, the California Supreme Court granted writ to review the decision of the Court of Appeals. 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, 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 30, 2010:

	High	Low
First Quarter	$ 18.33	$ 13.79
Second Quarter	$ 16.51	$ 12.60
Third Quarter	$ 20.48	$ 14.36
Fourth Quarter	$ 20.71	$ 14.43

Fiscal year ended June 24, 2009:

	High	Low
First Quarter	$ 20.84	$ 16.75
Second Quarter	$ 18.01	$ 3.99
Third Quarter	$ 14.80	$ 8.30
Fourth Quarter	$ 19.33	$ 14.92

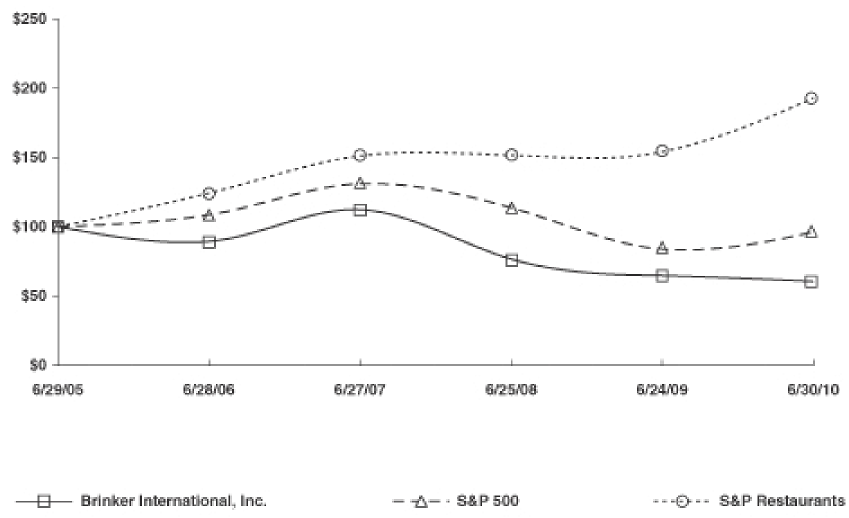
As of August 13, 2010, there were 776 holders of record of our common stock.

During the fiscal year ended June 30, 2010, 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
$0.11	August 20, 2009	September 11, 2009	September 23, 2009
$0.11	October 29, 2009	December 3, 2009	December 16, 2009
$0.11	January 28, 2010	March 11, 2010	March 24, 2010
$0.14	March 23, 2010	June 17, 2010	July 1, 2010

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



*$100 invested on 6/29/05 in stock or 6/30/05 in index, including reinvestment of dividends.
Indexes calculated on month-end basis.

The graph assumes a $100 initial investment and the reinvestment of dividends in our stock and each of the indexes on June 29, 2005 and its relative performance is tracked through June 30, 2010. The values shown are neither indicative nor determinative of future performance.

	2005	2006	2007	2008	2009	2010
Brinker International	$ 100.00	$ 89.61	$ 112.30	$ 76.76	$ 64.65	$ 60.61
S&P 500	$ 100.00	$ 108.63	$ 131.00	$ 113.81	$ 83.98	$ 96.09
S&P Restaurants(1)	$ 100.00	$ 124.18	$ 151.21	$ 151.73	$ 154.04	$ 192.73

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

Except as described in the immediately preceding paragraphs, during the three-year period ended on August 13, 2010, we issued no securities which were not registered under the Securities Act of 1933, as amended.

We continue to maintain our share repurchase program; on March 23, 2010 our Board of Directors increased our share repurchase authorization by $250 million, bringing the total authorization to $2,310 million. 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 25, 2010 through April 28, 2010	225,207	$ 20.52	225,000	$ 305,175
April 29, 2010 through May 26, 2010	792,039	$ 19.40	792,039	$ 289,797
May 27, 2010 through June 30, 2010	701	$17.66	—	$ 289,797
Total	1,017,947	$ 19.64	1,017,039	

(a) These amounts include shares purchased as part of our publicly announced programs and shares owned and tendered by team members 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 team members to satisfy tax withholding obligations were purchased at the average of the high and low prices of the Company's shares on the date of vesting. During the fourth quarter of fiscal 2010, 908 shares were tendered by team members at an average price of $17.66.

Item 6. SELECTED FINANCIAL DATA.

The information set forth in that section entitled "Selected Financial Data" in our 2010 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 2010 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 2010 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 22 for a listing of all financial statements in our 2010 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 were 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 2010 Annual Report to Shareholders and are presented on pages F-36 through F-38 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 30, 2010, 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 27, 2010, for the annual meeting of shareholders on November 10, 2010. 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. Any amendment of, or waiver from, our code of ethics will be posted on our website within four business days of such amendment or waiver.

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 27, 2010, for the annual meeting of shareholders on November 10, 2010. 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 2010”, “Compensation Discussion and Analysis”, and “Stock Ownership of Certain Persons” in our Proxy Statement to be dated on or about September 27, 2010, for the annual meeting of shareholders on November 10, 2010. 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 27, 2010, for the annual meeting of shareholders on November 10, 2010. 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 27, 2010, for the annual meeting of shareholders on November 10, 2010. 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 27, 2010, for the annual meeting of shareholders on November 10, 2010. 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 22 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 24, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, we have signed in our indicated capacities on August 24, 2010.

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/ JOSEPH M. DEPINTO Joseph M. DePinto	Director
/S/ HARRIET EDELMAN Harriet Edelman	Director
/S/ MARVIN J. GIROUARD Marvin J. Girouard	Director
/S/ JOHN W. MIMS John W. Mims	Director
/S/ GEORGE R. MRKONIC George R. Mrkonic	Director
/S/ ERLE NYE Erle Nye	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)	Registrant's Performance Share Plan Description.(8)
10(f)	$400,000,000 Credit Agreement dated as of June 22, 2010, by and among Registrant, Brinker Restaurant Corporation, Bank of America, N.A., Banc of America Securities, LLC, J.P. Morgan Securities, Inc., J.P. Morgan Chase Bank, N.A., Compass Bank, Regions Bank, and Wells Fargo Bank, National Association.(9)
13	2010 Annual Report to Shareholders.(10)
21	Subsidiaries of the Registrant.(11)
23	Consent of Independent Registered Public Accounting Firm.(11)
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).(11)
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).(11)
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.(11)
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.(11)
99(a)	Proxy Statement of Registrant.(12)

(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 as an exhibit to current report on Form 8-K dated May 28, 2009, and incorporated herein by reference.

(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, filed on September 11, 2008, and incorporated herein by reference.

(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 quarterly report on Form 10-Q for the quarter ended March 29, 2006, and incorporated herein by reference.

(9) Filed as an exhibit to current report on Form 8-K dated June 23, 2010, and incorporated herein by reference.

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

(11) Filed herewith.

(12) To be filed on or about September 27, 2010.

BRINKER INTERNATIONAL, INC.

SELECTED FINANCIAL DATA

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

	Fiscal Years 2010(a)	2009	2008	2007	2006
Income Statement Data:					
Revenues	$2,858,498	$3,276,362	$ 3,860,921	$ 4,007,771	$ 3,785,406
Operating Costs and Expenses:					
Cost of sales	816,015	923,668	1,101,125	1,126,756	1,069,598
Restaurant expenses	1,587,396	1,838,735	2,161,986	2,212,536	2,072,034
Depreciation and amortization	135,832	145,220	147,393	171,768	171,594
General and administrative	136,270	147,372	163,996	188,630	200,671
Other gains and charges	28,485	118,612	196,364	(9,082)	(17,616)
Total operating costs and expenses	2,703,998	3,173,607	3,770,864	3,690,608	3,496,281
Operating income	154,500	102,755	90,057	317,163	289,125
Interest expense	28,515	33,330	45,862	30,929	22,857
Other, net	(6,001)	(9,430)	(4,046)	(5,071)	(1,656)
Income before provision for income taxes	131,986	78,855	48,241	291,305	267,924
Provision for income taxes	28,264	6,734	2,644	80,144	78,773
Income from continuing operations	103,722	72,121	45,597	211,161	189,151
Income from discontinued operations, net of taxes	33,982	7,045	6,125	18,888	23,244
Net income	$ 137,704	$ 79,166	$ 51,722	$ 230,049	$ 212,395
Basic net income per share:					
Income from continuing operations	$ 1.02	$ 0.71	$ 0.44	$ 1.74	$ 1.47
Income from discontinued operations	$ 0.33	$ 0.07	$ 0.06	$ 0.16	$ 0.18
Net income per share	$ 1.35	$ 0.78	$ 0.50	$ 1.90	$ 1.65
Diluted net income per share:					
Income from continuing operations	$ 1.01	$ 0.70	$ 0.43	$ 1.70	$ 1.44
Income from discontinued operations	$ 0.33	$ 0.07	$ 0.06	$ 0.15	$ 0.18
Net income per share	$ 1.34	$ 0.77	$ 0.49	$ 1.85	$ 1.62
Basic weighted average shares outstanding	102,287	101,852	103,101	121,062	128,766
Diluted weighted average shares outstanding	103,044	102,713	104,897	124,116	130,934
Balance Sheet Data:					
Working capital(b)	$ 51,190	$ 110,812	$ 88,745	$ 277,298	$ 416,828
Total assets	1,852,104	1,948,947	2,193,122	2,318,021	2,221,779
Long-term obligations(b)	673,479	883,521	1,061,669	960,196	622,382
Shareholders' equity	728,748	646,924	595,089	805,089	1,075,832
Cash dividends per share	$ 0.47	$ 0.44	$ 0.42	$ 0.34	$ 0.20
Number of Restaurants Open (End of Period):					
Company-operated	871	1,024	1,265	1,312	1,290
Franchised/Joint venture	679	665	623	489	332
Total	1,550	1,689	1,888	1,801	1,622

(a) Fiscal year 2010 consisted of 53 weeks while all other periods presented consisted of 52 weeks.

(b) Prior year amounts have been updated to conform with fiscal 2010 presentation.

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 you understand our company, 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

We have a 52/53 week fiscal year ending on the last Wednesday in June. Fiscal year 2010 ended on June 30, 2010 and contained 53 weeks. Fiscal years 2009 and 2008, which ended on June 24, 2009 and June 25, 2008, respectively, each contained 52 weeks. The estimated impact of the 53rd week in fiscal 2010 in comparison to fiscal 2009 was an increase in revenue of approximately $52 million and an increase in income before income taxes of approximately $12.5 million. While certain expenses increased in direct relationship to additional revenue from the 53rd week, other expenses, such as fixed costs, are incurred on a calendar month basis.

OVERVIEW

We are principally engaged in the ownership, operation, development, and franchising of the Chili’s Grill & Bar (“Chili’s”) and Maggiano’s Little Italy (“Maggiano’s”) restaurant brands. At June 30, 2010, we owned, operated, or franchised 1,550 restaurants. In June 2010, we completed the sale of On The Border Mexican Grill & Cantina (“On The Border”) to OTB Acquisition LLC (“OTB Acquisition”), an affiliate of San Francisco-based Golden Gate Capital. Beginning in the third quarter of fiscal 2010, On The Border has been presented as discontinued operations in the consolidated financial statements. We sold Romano’s Macaroni Grill (“Macaroni Grill”) to Mac Acquisition LLC (“Mac Acquisition”), also an affiliate of Golden Gate Capital, in December 2008 and we currently hold an 18.2% ownership interest in the new entity. As a result of our retained interest, the results of Macaroni Grill were included in continuing operations through the date of disposition.

We are committed to strategies and initiatives that are centered on long-term sales and profit growth, enhancing our guest experience and team member engagement. These strategies will serve to differentiate our brands from the competition, reduce the costs associated with managing our restaurants and establish a strong presence for our brands in key markets around the world. We will continue to take actions that will allow us to maintain a strong balance sheet and increase our ability to provide results in all operating environments.

The casual dining industry has experienced a challenging operating environment during the past year. Economic conditions continued to negatively affect consumer confidence and spending. Some degree of recovery was evident during the first calendar quarter; however, these modest gains were eroded in the second calendar quarter. Unemployment and underemployment remain high and consumer confidence is volatile. Eating out is considered by most consumers to be a discretionary expenditure and, as a result, casual dining performance is highly correlated to employment and consumer confidence levels which remain low. In response to these challenges, we have focused on strengthening our business model, rationalized our asset base and maintained the necessary liquidity to pay down debt, fund new initiatives and increase our dividend. We are well positioned to emerge from the current economic environment a stronger, more efficient company. We will continually evaluate how we manage the business and make necessary changes in response to competition and the economic factors affecting the business.

In fiscal 2010, we have made progress toward our goal of driving profitable growth over the long term. Part of our long term strategy is to transform our menu at Chili's to improve quality, freshness and value. We have transformed the menu at Chili's by introducing new items and implementing quality enhancements on existing favorites. The new menu was a significant change for our restaurants which impacted labor costs and guest satisfaction. We have experienced improvements recently in both areas and remain confident that the changes will stimulate sales growth over time. We will continue to evaluate our menu offerings by considering guest preferences and feedback in an effort to refine our products and processes to improve quality and efficiency.

The fiscal 2010 marketing strategy promoted the new menu by presenting compelling values to drive traffic. Discounting has been prevalent during this fiscal year; however, we believe that this is only one option to drive sales and traffic. Our long-term strategy is to balance value and innovation. Our belief is that our continued focus on quality and innovation will result in stronger brands and sustainable sales and profit growth through increased guest loyalty and traffic.

We continue to take a disciplined approach to operations, including a focus on effective management of food costs, labor productivity and fixed costs. We are making significant investments in our kitchen technology, including new cooking equipment and new restaurant information systems. The new equipment will allow for accelerated cooking times to increase the speed of our kitchens and improve labor costs while delivering a more consistent, higher quality product. Enhancements to our restaurant information systems will increase profitability through increased kitchen efficiency, better inventory control and reduced software maintenance costs. Additionally, we are implementing changes to our service model which we believe will provide improved service at a lower cost. We will continue to invest in our restaurants through a routine maintenance and a remodel program. We plan to remodel a significant number of company-owned restaurants beginning in fiscal 2011, revitalizing the Chili's brand in a way which is apparent to the guest and changes the expectations for the quality of the experience. Our emphasis on the operations of our existing restaurants and these initiatives will enable us to deliver an improved guest experience with higher quality food at the correct pace during peak hours.

We are generating solid operating cash flow and have the liquidity to address the current challenges facing our business. We have significantly reduced our debt level while maintaining an appropriate level of capital investment in our existing restaurants. We have sufficient cash flow flexibility for investment in projects that will positively impact the business and enhance shareholder value.

We strongly believe the investments being made in our current initiatives will strengthen our brands and allow us to improve our competitive position and deliver profitable growth over the long term for our shareholders. Our unique food and signature drinks; improved service; and our updated atmospheres will drive positive sales growth and guest loyalty. Global expansion allows further diversification which will enable us to build strength in a variety of markets and economic conditions. This expansion will come through equity investments, joint venture arrangements and franchise relationships, taking advantage of demographic and eating trends that will accelerate in the international market over the next decade. Our growing percentage of franchise operations both domestically and internationally enable us to improve margins as royalty payments impact the bottom line.

The casual dining industry is a competitive business which is sensitive to changes in economic conditions, trends in lifestyles and fluctuating costs. Our priority remains increasing profit growth over time. We believe that this focus, combined with discipline around the use of capital and efficient management of operating expenses, will enable us to maintain our position as an industry leader. We remain confident in the financial health of our company, the long-term prospects of the industry as well as our ability to perform effectively in a competitive marketplace and a variety of economic environments.

RESULTS OF OPERATIONS FOR FISCAL YEARS 2010, 2009, AND 2008

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		
	2010	2009	2008
Revenues	100.0%	100.0%	100.0%
Operating Costs and Expenses:			
Cost of sales	28.5%	28.2%	28.5%
Restaurant expenses	55.5%	56.1%	56.0%
Depreciation and amortization	4.8%	4.5%	3.8%
General and administrative	4.8%	4.5%	4.3%
Other gains and charges	1.0%	3.6%	5.1%
Total operating costs and expenses	94.6%	96.9%	97.7%
Operating income	5.4%	3.1%	2.3%
Interest expense	1.0%	1.0%	1.2%
Other, net	(0.2)%	(0.3)%	(0.1)%
Income before provision for income taxes	4.6%	2.4%	1.2%
Provision for income taxes	1.0%	0.2%	0.0%
Income from continuing operations	3.6%	2.2%	1.2%
Income from discontinued operations, net of taxes	1.2%	0.2%	0.1%
Net income	4.8%	2.4%	1.3%

REVENUES

Revenues for fiscal 2010 decreased to $2,858.5 million, a 12.8% decrease from the $3,276.4 million generated for fiscal 2009. The 53 rd week contributed additional revenue of approximately $52 million in fiscal 2010. The decrease in revenue was primarily attributable to net declines in capacity at company-owned restaurants as well as a decrease in comparable restaurant sales as follows:

	Fiscal Year Ended June 30, 2010			
	Capacity(1)	Price Increase(1)	Mix Shift(1)	Comparable Sales(1)
Brinker International	(13.2)%	1.3%	(1.2)%	(4.2)%
Chili's	(4.1)%	1.5%	(1.2)%	(4.6)%
Maggiano's	2.3%	0.5%	(1.2)%	(1.2)%

(1) Amounts are calculated based on 52 weeks in each fiscal year.

Our capacity decreased 13.2% in fiscal 2010 (as measured by average-weighted sales weeks). The reduction in capacity was primarily due to the sale of 189 Macaroni Grill restaurants at the end of the second quarter of fiscal 2009 as well as the sale of 21 Chili's restaurants to a franchisee and 11 restaurant closures during fiscal 2010.

Comparable restaurant sales decreased 4.2% in fiscal 2010 compared to fiscal 2009. The decrease in comparable restaurant sales resulted from a decline in guest traffic and unfavorable product mix shifts at Chili’s and Maggiano’s, partially offset by an increase in menu prices at both brands.

Revenues for fiscal 2009 decreased to $3,276.4 million, a 15.1% decrease from the $3,860.9 million generated for fiscal 2008. The decrease in revenue was primarily attributable to net declines in capacity at company-owned restaurants as well as a decrease in comparable restaurant sales as follows:

	Fiscal Year Ended June 24, 2009			
	Capacity	Price Increase	Mix Shift	Comparable Sales
Brinker International	(11.8)%	3.0%	(0.9)%	(5.8)%
Chili’s	(1.6)%	3.2%	(0.8)%	(5.6)%
Maggiano’s	3.7%	1.5%	(2.2)%	(7.3)%
Macaroni Grill(1)	(14.6)%	2.8%	(1.1)%	(9.8)%

(1) Macaroni Grill capacity and comparable restaurant sales for the fiscal year ended June 24, 2009 includes the impact through the sale date of December 18, 2008.

Our capacity decreased 11.8% in fiscal 2009 primarily due to the sale of 198 restaurants (189 of which were Macaroni Grills) and 42 restaurant closures (five of which were Macaroni Grills) during fiscal 2009, partially offset by the development of new company-owned restaurants.

Comparable restaurant sales decreased 5.8% in fiscal 2009 compared to fiscal 2008. The decrease in comparable restaurant sales resulted from a decline in guest traffic and unfavorable product mix shifts across all brands, partially offset by an increase in menu prices across all brands.

COSTS AND EXPENSES

Cost of sales, as a percent of revenues, increased 0.3% in fiscal 2010. Cost of sales was negatively impacted by promotions and the impact of the new menu rollout at Chili’s, partially offset by favorable menu pricing and favorable commodity prices for beef and chicken. Cost of sales, as a percent of revenues, decreased 0.3% in fiscal 2009. Cost of sales was favorably impacted by decreased commodity usage from efforts to reduce waste, menu item changes, menu price increases and favorable product mix shifts, partially offset by unfavorable commodity price changes primarily in beef, poultry, produce and cooking oils.

Restaurant expenses, as a percent of revenues, decreased 0.6% in fiscal 2010 primarily driven by reduced labor from reductions in headcount, reduced utility and advertising, sales leverage due to the additional operating week and the receipt of a $3.3 million credit card class action lawsuit settlement. Restaurant expenses, as a percent of revenues, increased 0.1% in fiscal 2009 primarily driven by sales deleverage on fixed costs, partially offset by lower restaurant opening expenses due to fewer restaurant openings and lower labor costs due to efficiency improvements.

Depreciation and amortization decreased $9.4 million in fiscal 2010 and $2.2 million in fiscal 2009 primarily driven by an increase in fully depreciated assets and restaurant closures, partially offset by an increase in depreciation due to asset replacements, investments in existing restaurants and the addition of new restaurants.

General and administrative expenses decreased $11.1 million in fiscal 2010 and $16.6 million in fiscal 2009 primarily due to lower headcount and the sale of Macaroni Grill, decreases in professional fees, and income related to transitional services provided to Macaroni Grill that offset the internal cost of providing the services. The reductions in general and administrative expenses were partially offset by higher annual performance based compensation expense.

Other gains and charges in fiscal 2010 included a $19.8 million impairment charge related to 22 underperforming restaurants that are continuing to operate. We also recorded $4.0 million in lease termination charges and $5.4 million in long-lived asset impairments resulting from the decision to close nine underperforming restaurants. Additionally, we recorded $2.4 million in lease termination charges related to restaurants closed in prior years and $1.9 million in severance and other benefits resulting from organizational changes. These charges were partially offset by gains of $4.9 million related to the sale of 21 restaurants to a franchisee and land sales.

Other gains and charges in fiscal 2009 included $59.4 million in charges primarily resulting from the decision to close 37 underperforming restaurants, including eight international restaurants. The charges include $40.8 million in long-lived asset impairments, $5.2 million in lease termination charges, $1.2 million of charges related to the write-off of other assets and liabilities, and $2.1 million of charges related to realized foreign currency translation losses. Also included is $6.2 million in lease termination charges associated with restaurants closed in prior years. Additionally, we recorded a $10.5 million impairment charge related to underperforming restaurants that are continuing to operate, a $7.7 million goodwill impairment charge as a result of the international restaurant closings and organizational changes resulted in charges of $5.5 million for severance and other costs. In December 2008, we sold Macaroni Grill to Mac Acquisition and recorded a loss on the sale of $40.4 million. The charges were partially offset by a $3.9 million gain related to the sale of nine restaurants to a franchisee and land sales.

Other gains and charges in fiscal 2008 included $43.8 million in charges primarily related to long-lived asset impairments resulting from the closure of 49 underperforming restaurants. The charges include $34.7 million of long-lived asset impairments and $9.0 million in lease termination charges. We also recorded a $7.5 million impairment charge related to underperforming restaurants that are continuing to operate, a $13.1 million charge related to asset write-offs for sites under development and other discontinued projects, and organizational changes resulted in charges of $7.2 million for severance and other costs. Additionally, 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. The 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.

Interest expense decreased $4.8 million in fiscal 2010 primarily as a result of lower average debt balances and a decrease in interest rates on our debt carrying variable interest rates. We repaid $190.0 million on the three-year term loan during the year. These decreases were partially offset by $1.7 million in accelerated expense related to the remaining capitalized financing costs associated with the terminated revolving credit facility. Interest expense decreased $12.5 million in fiscal 2009 primarily due to lower average borrowing balances on our credit facilities and lower interest rates on our debt carrying variable interest rates, partially offset by a decrease in capitalized interest due to a reduction in company-owned restaurants developed in fiscal 2009 compared to fiscal 2008. Additionally, we repurchased and retired $10.0 million of the 5.75% notes at a discount and recorded a $1.3 million gain on the extinguishment of debt.

Other, net in fiscal 2010 includes $4.7 million of sublease income from Mac Acquisition as part of the sale agreement and other subtenants as well as $0.6 million of interest income on short-term investment balances. Other, net in fiscal 2009 includes a $5.5 million gain from insurance proceeds, $1.7 million of sublease income and $1.6 million of interest income on short-term investment balances. Other, net in fiscal 2008 includes $3.4 million of interest income on short-term investment balances. The reduction in interest income on short-term investment balances since 2008 is primarily due to a decline in the interest rate earned on these balances.

Income from discontinued operations, net of taxes, increased to $34.0 million in fiscal 2010 from $7.0 million in fiscal 2009. In fiscal 2010, we recorded a $16.5 million pre-tax gain on the sale of the On The Border restaurants.

INCOME TAXES

The effective income tax rate from continuing operations was 21.4%, 8.5% and 5.5% for fiscal 2010, 2009 and 2008, respectively. The variation in the effective tax rates during fiscal 2009 and 2008 was significantly impacted by the loss on the sale of Macaroni Grill and charges for long-lived asset impairments in fiscal 2009 and other gains and charges and nontaxable insurance proceeds in fiscal 2008. Excluding the impact of these significant non-recurring items, the effective income tax rate was consistent for the last three fiscal years.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following is a summary of our cash flows from operating, investing and financing activities of both continuing and discontinued operations (in thousands):

	2010	2009
Net cash provided by/(used in):		
Continuing operations:		
Operating activities	$ 297,402	$ 234,007
Investing activities	(4,527)	(6,211)
Financing activities	(249,438)	(224,385)
Discontinued operations:		
Operating activities	39,033	40,958
Investing activities	167,998	(4,927)
Financing activities	—	—
Net increase in cash and cash equivalents	$ 250,468	$ 39,442

Cash Flow from Operating Activities—Continuing Operations

Our primary source of liquidity is cash flows generated from our restaurant operations. We expect our ability to generate solid cash flows from operations to continue into the future. Net cash provided by operating activities of continuing operations for fiscal 2010 increased to approximately $297.4 million compared to $234.0 million in the prior year primarily due to the timing of income tax payments as well as operational payments and receipts, partially offset by a decline in operating profitability driven by the sale of Macaroni Grill and depressed market conditions.

Excluding the impact of assets held for sale, working capital increased to $51.2 million at June 30, 2010 from a deficit of $49.5 million at June 24, 2009 primarily due to proceeds from the sale of On The Border and the retention of cash from operations to maximize our liquidity position, partially offset by payments made on long-term debt and the timing of income tax payments.

Cash Flow from Investing Activities—Continuing Operations

Net cash used in investing activities of continuing operations for fiscal 2010 decreased to approximately $4.5 million compared to $6.2 million in the prior year. The decrease was primarily due to a reduction in capital expenditures as well as the dissolution of our wholly-owned captive insurance company, which allowed us to access $29.7 million of cash that was previously pledged as collateral and classified as restricted. The decrease was partially offset by higher proceeds from asset sales in the prior year primarily due to the sale of Macaroni Grill in December 2008.

Capital expenditures consist of ongoing remodel investments, purchases of new and replacement restaurant furniture and equipment, investments in information technology infrastructure, and new restaurants under construction. Capital expenditures were $60.9 million for fiscal 2010 compared to $88.2 million for fiscal 2009. The reduction in capital expenditures is primarily due to a decrease in company-owned restaurant development and remodel investments in fiscal 2010 compared to prior year. We estimate that our capital expenditures during fiscal 2011 will be approximately $115 million to $120 million and will be funded entirely by cash from operations.

We also sold 21 Chili's restaurants to a franchisee in December 2009 for $19.0 million.

Cash Flow from Financing Activities—Continuing Operations

Net cash used in financing activities of continuing operations for fiscal 2010 increased to approximately $249.4 million compared to $224.4 million in the prior year primarily due to higher debt payments and share repurchases.

During fiscal 2010, we repaid $190.0 million on our three-year original $400.0 million term loan agreement which was set to expire in October 2010. In June 2010, we refinanced the outstanding term loan balance of $200.0 million by entering into a five-year term loan agreement. The new 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 3.25%, and expires in June 2015. Based on our current credit rating, we are paying interest at a rate of LIBOR plus 2.75% (3.10% as of June 30, 2010).

We paid dividends of $34.4 million, or $0.33 per share, to common stock shareholders during fiscal 2010. The fourth quarter dividend of $0.14 per share was declared in March 2010 and paid in July 2010. We have increased the dividend by 27 percent from $0.11 to $0.14 per share beginning with the fourth quarter payment. We will use a 40 percent dividend payout ratio as a guideline to provide additional return to shareholders.

Pursuant to our stock repurchase plan, we repurchased approximately 1.0 million shares of our common stock for $20.0 million during fiscal 2010.

In conjunction with the refinancing of our term loan in June 2010, we entered into a new revolving credit facility agreement and terminated the previous agreement which was set to expire in February 2012. The new facility was reduced to $200 million, 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 3.25%, and expires in June 2015. Based on our current credit rating, the revolving credit facility carries an interest rate of LIBOR plus 2.75% (3.10% as of June 30, 2010). As of June 30, 2010, we have $200 million available to us under our revolving credit facility. We are in compliance with all financial debt covenants.

In fiscal 2010, Standard and Poor's ("S&P") reaffirmed our debt rating of BBB- (investment grade) with a stable outlook. Moody's reaffirmed our corporate family rating of Ba1 (non-investment grade) and our senior unsecured note rating of Ba2 (non-investment grade) with a stable outlook. Our balance sheet is a primary focus as we have committed to reducing our leverage allowing us to retain the investment grade rating from S&P and ultimately regain our investment grade rating from Moody's.

Our Board of Directors has authorized a total of $2,310.0 million of share repurchases. As of June 30, 2010, approximately $290 million was available under our share repurchase authorizations. Our stock repurchase plan 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. We intend to repurchase shares with the proceeds from the On The Border divestiture as well as with excess free cash flow over time as business results permit. Repurchased common stock is reflected as a reduction of shareholders' equity.

We have evaluated ways to monetize the value of our owned real estate and determined that the alternatives considered are more costly than other financing options currently available due to a combination of the income tax impact and higher effective borrowing rates.

Cash Flow from Discontinued Operations

In June 2010, we sold On The Border to OTB Acquisition for gross proceeds of approximately $180 million.

Cash Flow Outlook

We believe that our various sources of capital, including cash flow from operating activities of continuing operations and availability under our existing credit facility are adequate to finance operations as well as the repayment of current debt obligations. 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 facility 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 the credit facility as of June 30, 2010 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)	$556,105	$ 31,675	$ 73,350	$ 451,080	$ —
Capital leases	86,580	5,262	10,840	11,273	59,205
Operating leases	602,746	100,152	180,859	142,899	178,836
Purchase obligations(b)	137,586	27,215	27,308	22,443	60,620

	Amount of Revolving Credit Facility Expiration by Period (in thousands)				
	Total Commitment	Less than 1 year	1-3 Years	3-5 Years	More than 5 Years
Revolving credit facility	$ 200,000	$ —	$ —	$ 200,000	$ —

(a) Long-term debt consists of amounts owed on the five-year term loan, 5.75% notes, and accrued interest on fixed-rate obligations totaling $66.7 million. No amount was outstanding under the revolving credit facility as of June 30, 2010.

(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 fountain beverages, energy, and telecommunication services and exclude agreements that are cancelable without significant penalty.

In addition to the amounts shown in the table above, $18.9 million of unrecognized tax benefits have been recorded as liabilities. The timing and amounts of future cash payments related to these 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

We measure and recognize 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 our 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 us 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. 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.

We record a liability for unrecognized tax benefits resulting from tax positions taken, or expected to be taken, in an income tax return. We recognize any interest and penalties related to unrecognized tax benefits in income tax expense. Significant judgment is required in assessing, among other things, the timing and amounts of deductible and taxable items. Tax reserves are evaluated and adjusted as appropriate, while taking into account the progress of audits of various taxing jurisdictions.

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

We review the carrying amount of property and equipment semi-annually or when events or circumstances indicate that the carrying amount may not be recoverable. If the carrying amount is not recoverable, we record an impairment charge for the excess of the carrying amount over the fair value. We determine fair value based on projected discounted future operating cash flows of the restaurants over their remaining service life using a discount rate that is commensurate with the risk inherent in our current business model, which reflects our own judgment. This process requires the use of estimates and assumptions, which are subject to a high degree of judgment.

Impairment of Goodwill

We assess the recoverability of goodwill related to our restaurant brands on an annual basis or more often if circumstances or events indicate impairment may exist. We consider our restaurants brands, Chili's and Maggiano's, to be both our operating segments and reporting units. The impairment test is a two-step process. Step one includes comparing the fair value of our reporting units to their carrying value. If the fair value of the reporting unit exceeds the carrying value, then the goodwill balance is not impaired and no further evaluation is required. If the carrying value of the reporting unit exceeds its fair value, impairment may exist and performing step two is necessary to determine the impairment loss. The amount of impairment would be determined by performing a hypothetical analysis resulting in an implied goodwill value by performing a fair value allocation as if the unit were being acquired in a business combination. This implied value would be compared to the carrying value to determine the amount of impairment loss, if any.

We determine fair value based on projected discounted future operating cash flows of the restaurant brands using a discount rate that is commensurate with the risk inherent in our current business model, which reflects our own judgment. We make assumptions regarding future profits and cash flows, expected growth rates, terminal values, and other factors which could significantly impact the fair value calculations. In the event that these assumptions change in the future, we may be required to record impairment charges related to goodwill. The fair value of our reporting units was substantially in excess of the carry value as of our fiscal 2010 goodwill impairment test that was performed at the end of the second quarter. No indicators of impairment were identified from the date of our impairment test through the end of fiscal year 2010.

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 2006, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") Subtopic 820-10, an amendment to ASC 820, "Fair Value Measurements and Disclosures," which 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, ASC Subtopic 820-10 is effective for fiscal years beginning after November 15, 2007, which required that we adopt these provisions in fiscal 2009. For nonfinancial assets and liabilities, ASC Subtopic 820-10 is effective for fiscal years beginning after November 15, 2008, which required that we adopt these provisions in the first quarter of fiscal 2010. The adoption of ASC Subtopic 820-10 did not have a material impact on our financial statements.

In December 2007, the FASB issued ASC Topic 805, "Business Combinations." All business combinations will be accounted for by applying the acquisition method. ASC Topic 805 requires most identifiable assets, liabilities, non-controlling interests, and goodwill acquired in a business combination to be recorded at full fair value. ASC Topic 805 is effective for annual reporting periods beginning on or after December 15, 2008, which required that we adopt these provisions beginning in the first quarter of fiscal 2010 for business combinations occurring on or after the effective date. We did not complete any business combinations in fiscal 2010.

In June 2008, the FASB issued ASC Subtopic 260-10, an amendment to ASC 260, "Earnings Per Share," which provides that unvested share-based payment awards that contain non-forfeitable rights to dividends that are paid or unpaid are participating securities and shall be included in the computation of earnings per share based on the two-class method. The two-class method is an earnings allocation method for computing earnings per share when an entity's capital structure includes either two or more classes of common stock or common stock and participating securities. ASC Subtopic 260-10 is effective for fiscal years beginning after December 15, 2008, which required us to adopt these provisions in the first quarter of fiscal 2010. The adoption of ASC Subtopic 260-10 did not have a material impact on our financial statements.

In June 2009, the FASB issued ASC Topic 105, "Generally Accepted Accounting Principles ("GAAP")," which establishes the FASB ASC as the single official source of authoritative, nongovernmental U.S. GAAP. The ASC did not change GAAP but reorganizes the literature. ASC Topic 105 is effective for interim and annual periods ending after September 15, 2009, which required us to adopt these provisions in the first quarter of fiscal 2010.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate risk on short-term and long-term financial instruments carrying variable interest rates. The variable rate financial instruments consist of the outstanding borrowings on our term loan and revolving credit facility. At June 30, 2010, $200.0 million was outstanding under the term loan and no amount was outstanding under the revolving credit facility. 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 30, 2010 would be approximately $2.0 million.

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		
	2010	2009	2008
Revenues	$ 2,858,498	$ 3,276,362	$ 3,860,921
Operating Costs and Expenses:			
Cost of sales	816,015	923,668	1,101,125
Restaurant expenses	1,587,396	1,838,735	2,161,986
Depreciation and amortization	135,832	145,220	147,393
General and administrative	136,270	147,372	163,996
Other gains and charges	28,485	118,612	196,364
Total operating costs and expenses	2,703,998	3,173,607	3,770,864
Operating income	154,500	102,755	90,057
Interest expense	28,515	33,330	45,862
Other, net	(6,001)	(9,430)	(4,046)
Income before provision for income taxes	131,986	78,855	48,241
Provision for income taxes	28,264	6,734	2,644
Income from continuing operations	103,722	72,121	45,597
Income from discontinued operations, net of taxes	33,982	7,045	6,125
Net income	$ 137,704	$ 79,166	$ 51,722
Basic net income per share:			
Income from continuing operations	$ 1.02	$ 0.71	$ 0.44
Income from discontinued operations	$ 0.33	$ 0.07	$ 0.06
Net income per share	$ 1.35	$ 0.78	$ 0.50
Diluted net income per share			
Income from continuing operations	$ 1.01	$ 0.70	$ 0.43
Income from discontinued operations	$ 0.33	$ 0.07	$ 0.06
Net income per share	$ 1.34	$ 0.77	$ 0.49
Basic weighted average shares outstanding	102,287	101,852	103,101
Diluted weighted average shares outstanding	103,044	102,713	104,897
Cash dividends per share	$ 0.47	$ 0.44	$ 0.42

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	2010	2009
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 344,624	$ 94,156
Accounts receivable	45,140	48,557
Inventories	26,735	33,845
Prepaid expenses and other	63,961	90,218
Income taxes receivable	—	41,620
Deferred income taxes	20,607	50,785
Assets held for sale	—	170,133
Total current assets	501,067	529,314
Property and Equipment:		
Land	163,018	173,758
Buildings and leasehold improvements	1,367,646	1,399,843
Furniture and equipment	556,815	579,290
Construction-in-progress	11,870	9,031
	2,099,349	2,161,922
Less accumulated depreciation and amortization	(970,272)	(914,142)
Net property and equipment	1,129,077	1,247,780
Other Assets:		
Goodwill	124,089	124,932
Deferred income taxes	44,213	—
Other	53,658	46,921
Total other assets	221,960	171,853
Total assets	$ 1,852,104	$ 1,948,947
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current installments of long-term debt	$ 16,866	$ 1,815
Accounts payable	112,824	121,483
Accrued liabilities	300,540	285,406
Income taxes payable	19,647	—
Liabilities associated with assets held for sale	—	9,798
Total current liabilities	449,877	418,502
Long-term debt, less current installments	524,511	727,447
Deferred income taxes	—	4,295
Other liabilities	148,968	151,779
Commitments and Contingencies (Notes 10 and 15)		
Shareholders' Equity:		
Common stock—250,000,000 authorized shares; $.10 par value; 176,246,649 shares issued and 101,571,588 shares outstanding at June 30, 2010, and 176,246,649 shares issued and 102,124,842 shares outstanding at June 24, 2009	17,625	17,625
Additional paid-in capital	465,721	463,980
Retained earnings	1,923,561	1,834,307
	2,406,907	2,315,912
Less treasury stock, at cost (74,675,061 shares at June 30, 2010 and 74,121,807 shares at June 24, 2009)	(1,678,159)	(1,668,988)
Total shareholders' equity	728,748	646,924
Total liabilities and shareholders' equity	$ 1,852,104	$ 1,948,947

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)

	Common Stock		Additional			Accumulated Other	
	Shares	Amount	Paid-In Capital	Retained Earnings	Treasury Stock	Comprehensive Income (Loss)	Total
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
Net income	—	—	—	79,166	—	—	79,166
Currency translation adjustment	—	—	—	—	—	(2,068)	(2,068)
Realized loss on currency translation	—	—	—	—	—	2,236	2,236
Comprehensive income							79,334
Cash dividends ($0.44 per share)	—	—	—	(45,159)	—	—	(45,159)
Stock-based compensation	—	—	17,518	—	—	—	17,518
Purchases of treasury stock	(30)	—	(3,116)	—	(623)	—	(3,739)
Issuances of common stock	816	—	(13,721)	—	18,371	—	4,650
Tax benefit from stock options exercised	—	—	(769)	—	—	—	(769)
Issuances of restricted stock, net of forfeitures	23	—	(598)	—	598	—	—
Balances at June 24, 2009	102,125	17,625	463,980	1,834,307	(1,668,988)	—	646,924
Net income and comprehensive income	—	—	—	137,704	—	—	137,704
Cash dividends ($0.47 per share)	—	—	—	(48,450)	—	—	(48,450)
Stock-based compensation	—	—	16,493	—	—	—	16,493
Purchases of treasury stock	(1,046)	—	(2,448)	—	(20,420)	—	(22,868)
Issuances of common stock	518	—	(9,268)	—	11,664	—	2,396
Tax benefit from stock options exercised	—	—	(3,451)	—	—	—	(3,451)
Issuances of restricted stock, net of forfeitures	(25)	—	415	—	(415)	—	—
Balances at June 30, 2010	101,572	$17,625	$465,721	$1,923,561	$(1,678,159)	$ —	$ 728,748

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Fiscal Years		
	2010	2009	2008
Cash Flows from Operating Activities:			
Net income	$ 137,704	$ 79,166	$ 51,722
Income from discontinued operations, net of taxes	(33,982)	(7,045)	(6,125)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	135,832	145,220	147,393
Restructure charges and other impairments	31,766	76,957	218,431
Deferred income taxes	(25,516)	40,921	(69,081)
(Gain) Loss on sale of assets	(4,878)	36,955	(29,682)
Stock-based compensation	15,595	17,128	15,244
Other	2,523	(823)	283
Changes in assets and liabilities, excluding effects of acquisitions and dispositions:			
Accounts receivable	6,083	(800)	(289)
Inventories	6,544	(1,680)	(9,199)
Prepaid expenses and other	1,847	2,150	2,136
Other assets	551	1,697	488
Income taxes payable	51,800	(42,153)	3,598
Accounts payable	(9,963)	(43,512)	13,320
Accrued liabilities	(7,483)	(68,199)	(20,489)
Other liabilities	(11,021)	(1,975)	8,959
Net cash provided by operating activities of continuing operations	297,402	234,007	326,709
Cash Flows from Investing Activities:			
Payments for property and equipment	(60,879)	(88,152)	(256,938)
Decrease (Increase) in restricted cash	29,749	4,688	(34,435)
Proceeds from sale of assets	26,603	81,865	127,780
Investment in equity method investee	—	(4,612)	(8,711)
Payments for purchases of restaurants	—	—	(2,418)
Net cash used in investing activities of continuing operations	(4,527)	(6,211)	(174,722)
Cash Flows from Financing Activities:			
Payments on long-term debt	(391,046)	(19,735)	(1,062)
Net proceeds from issuance of long-term debt	196,389	—	399,287
Payments of dividends	(34,448)	(45,355)	(42,914)
Purchases of treasury stock	(22,868)	(3,739)	(240,784)
Proceeds from issuances of treasury stock	2,396	4,650	5,277
Excess tax benefits from stock-based compensation	139	551	330
Net payments on credit facilities	—	(160,757)	(323,586)
Net cash used in financing activities of continuing operations	(249,438)	(224,385)	(203,452)
Cash Flows from Discontinued Operations:			
Net cash provided by operating activities	39,033	40,958	34,928
Net cash provided by (used in) investing activities	167,998	(4,927)	(13,572)
Net cash provided by discontinued operations	207,031	36,031	21,356
Net change in cash and cash equivalents	250,468	39,442	(30,109)
Cash and cash equivalents at beginning of year	94,156	54,714	84,823
Cash and cash equivalents at end of year	$ 344,624	$ 94,156	$ 54,714

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Operations

We are principally engaged in the ownership, operation, development, and franchising of the Chili's Grill & Bar ("Chili's") and Maggiano's Little Italy ("Maggiano's") restaurant brands. At June 30, 2010, we owned, operated, or franchised 1,550 restaurants in the United States and 29 countries and two territories outside of the United States.

We sold On The Border Mexican Grill & Cantina ("On The Border") to OTB Acquisition LLC ("OTB Acquisition"), an affiliate of San Francisco-based Golden Gate Capital, in June 2010. We sold Romano's Macaroni Grill ("Macaroni Grill") to Mac Acquisition LLC ("Mac Acquisition"), also an affiliate of Golden Gate Capital, in December 2008 and we currently hold an 18.2% ownership interest in the new entity.

(b) 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 have a 52/53 week fiscal year ending on the last Wednesday in June. Fiscal year 2010 ended on June 30, 2010 and contained 53 weeks. Fiscal years 2009 and 2008, which ended on June 24, 2009 and June 25, 2008, respectively, each contained 52 weeks.

Certain prior year amounts in the accompanying consolidated financial statements have been reclassified to conform with fiscal 2010 presentation. These reclassifications have no effect on our net income or financial position as previously reported.

On The Border has been presented as discontinued operations in the consolidated financial statements. See Note 2 for additional disclosures. Macaroni Grill's operating results were included in continuing operations in the consolidated financial statements for fiscal 2009 (through the sale date of December 18, 2008) and fiscal 2008 as we have involvement in the ongoing operations of Macaroni Grill.

(c) 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.

(d) 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.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fair Value Measurements

Fair value is defined as the price that we would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants on the measurement date. In determining fair value, the accounting standards establish a three level hierarchy for inputs used in measuring fair value, as follows:

- Level 1—inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2—inputs are observable for the asset or liability, either directly or indirectly, including quoted prices in active markets for similar assets or liabilities.
- Level 3—inputs are unobservable and reflect our own assumptions.

(f) Cash and Cash Equivalents

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

(g) 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.

(h) Inventories

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

(i) 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 review the carrying amount of property and equipment semi-annually or when events or circumstances indicate that the carrying amount may not be recoverable. If the carrying amount is not recoverable, we record an impairment charge for the excess of the carrying amount over the fair value. We determine fair value based on projected discounted future operating cash flows of the restaurants over their remaining service life using a discount rate that is commensurate with the risk inherent in our current business model, which reflects our own judgment. Impairment charges are included in other gains and charges in the consolidated statements of income. Assets held for sale are reported at the lower of the carrying amount or fair value, less costs to sell.

(j) 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

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

economic penalty such that the renewal appears reasonably assured. 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.

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.

(k) Capitalized Interest

Interest costs capitalized during the construction period of restaurants were approximately $0.1 million, $0.7 million and $3.7 million during fiscal 2010, 2009, and 2008, respectively.

(l) Advertising

Advertising production costs are expensed in the period when the advertising first takes place. Other advertising costs are expensed as incurred. Advertising costs, net of advertising contributions from franchisees, were $80.6 million, $103.5 million and $120.4 million in fiscal 2010, 2009, and 2008, respectively, and are included in restaurant expenses in the consolidated statements of income.

(m) Goodwill

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. Goodwill has been assigned to reporting units for purposes of impairment testing. Our two restaurant brands, Chili’s and Maggiano’s, are both reporting units and operating segments. We have established that the appropriate level to evaluate goodwill is at the operating segment level. The menu items, services offered and food preparation are virtually identical at each restaurant and our targeted customer is consistent across each brand. We maintain a centralized purchasing department which manages all purchasing and distribution for our restaurants. In addition, contracts for our food supplies are negotiated at a consolidated level in order to secure the best prices and maintain similar quality across all of our brands. Local laws, regulations and other issues may result in slightly different legal and regulatory environments; however, the overall regulatory climate within and across our operating segments is quite similar. As such, we believe that aggregating components is appropriate for the evaluation of goodwill.

Goodwill impairment tests consist of a comparison of each reporting unit’s fair value with its carrying value. We determine fair value based on projected discounted future operating cash flows of the restaurant brands using a discount rate that is commensurate with the risk inherent in our current business model, which reflects our own judgment. If the carrying value of a reporting unit exceeds its fair value, goodwill is written down to its implied fair value. We determined that there was no goodwill impairment during our annual test and no indicators of impairment were identified through the end of fiscal year 2010. See Note 6 for additional disclosures related to goodwill.

We have occasionally acquired restaurants from our franchisees. Goodwill from these acquisitions represents the excess of the cost of a business acquired over the net amounts assigned to assets acquired, including identifiable intangible assets, primarily reacquired franchise rights. We have subsequently sold some of

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

these restaurants to other franchisees and allocated goodwill from the reporting unit, or restaurant brand, to the disposal group in the determination of the gain or loss on the disposition. The allocation was based on the relative fair values of the disposal group and the portion of the reporting unit that was retained. We have recognized reacquired rights in connection with previous business combinations; however, we have not sold any restaurants acquired in those combinations.

(n) Sales Taxes

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

(o) 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 and other liabilities include the estimated incurred but unreported costs to settle unpaid claims and estimated future claims.

In December 2009, we dissolved our wholly-owned captive insurance company which allowed us to access $29.7 million of cash that was previously pledged as collateral and classified as restricted. This cash balance was included within prepaid expenses and other in the consolidated balance sheet as of June 24, 2009 (see Note 5).

(p) Income Taxes

Income taxes are accounted for under the asset and liability method. 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 record a liability for unrecognized tax benefits resulting from tax positions taken, or expected to be taken, in an income tax return. We recognize any interest and penalties related to unrecognized tax benefits in income tax expense. Tax reserves are evaluated and adjusted as appropriate, while taking into account the progress of audits of various taxing jurisdictions.

(q) Stock-Based Compensation

We measure and recognize compensation cost at fair value for all share-based payments, including stock options. 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

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 from continuing operations totaled approximately $15.8 million, $17.2 million and $14.2 million for fiscal 2010, 2009 and 2008, respectively. The total income tax benefit recognized in the consolidated statements of income related to stock-based compensation expense from continuing operations was approximately $5.3 million, $6.4 million and $5.6 million during fiscal 2010, 2009 and 2008, respectively.

The weighted average fair values of option grants were $6.04, $5.52 and $7.18 during fiscal 2010, 2009 and 2008, respectively. The fair value of stock options is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2010	2009	2008
Expected volatility	53.7%	37.8%	23.6%
Risk-free interest rate	2.5%	2.9%	4.2%
Expected lives	5 years	5 years	5 years
Dividend yield	3.1%	2.8%	1.2%

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 Treasury Note with a term equal to the expected life of the stock options.

(r) 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 30, 2010, no preferred shares were issued.

(s) Shareholders' Equity

Our Board of Directors has authorized a total of $2,310.0 million of share repurchases. Pursuant to our stock repurchase plan, we repurchased approximately 1.0 million shares of our common stock for $20.0 million during fiscal 2010. As of June 30, 2010, approximately $290 million was available under our share repurchase authorizations. Our stock repurchase plan 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 the future, we may consider additional share repurchases under our plan based on several factors, including our cash position, share price, operational liquidity, proceeds from divestitures and planned investment and financing needs. Repurchased common stock is reflected as a reduction of shareholders' equity.

We paid dividends of $34.4 million, or $0.33 per share, to common stock shareholders during fiscal 2010. The fourth quarter dividend of $0.14 per share was declared in March 2010 and paid in July 2010.

(t) 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 2010 comprehensive income

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

consists of net income. Fiscal 2009 comprehensive income consists of net income, currency translation adjustments and a realized loss on currency translation adjustments related to the closure of international company-owned restaurants (see Note 4). Fiscal 2008 comprehensive income consists of net income and currency translation adjustments.

(u) 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 6.9 million stock options and restricted share awards outstanding at June 30, 2010, 7.4 million stock options and restricted share awards outstanding at June 24, 2009, and 5.8 million stock options and restricted share awards outstanding at June 25, 2008 that were not included in the dilutive earnings per share calculation because the effect would have been antidilutive.

(v) 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. Two or more operating segments may 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 two 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, we have similar long-term average margins across our brands. Therefore, we believe we meet the criteria for aggregating operating segments into a single reporting segment.

2. SALE OF ON THE BORDER AND DISCONTINUED OPERATIONS

In March 2010, we entered into an agreement with OTB Acquisition for the sale of On The Border for gross proceeds of approximately $180 million. The sale was completed in June 2010 and we recorded a pre-tax gain of $16.5 million in income from discontinued operations, net of taxes, in the consolidated statement of income in the fourth quarter of fiscal 2010. The assets sold totaled approximately $164.0 million and consisted primarily of property and equipment of $146.7 million and goodwill of $5.8 million. The associated liabilities totaled approximately $9.9 million and consisted primarily of straight-line rent accruals of $9.3 million.

As part of the sale, we entered into an agreement with OTB Acquisition whereby we provide corporate support services for the new entity through the end of fiscal 2011. The income generated will offset the internal cost of providing the services.

2. SALE OF ON THE BORDER AND DISCONTINUED OPERATIONS (Continued)

On The Border has been presented as discontinued operations in the consolidated financial statements. Discontinued operations includes only the revenues and expenses which can be specifically identified with On The Border and excludes any allocation of corporate costs, including general and administrative expenses. The results of On The Border consist of the following (in thousands):

	2010	2009	2008
Revenues	$331,247	$344,218	$ 374,302
Income before income taxes from discontinued operations	51,488	7,883	6,613
Income tax expense	17,506	838	488
Net income from discontinued operations(a)	$ 33,982	$ 7,045	$ 6,125

(a) Other gains and charges, net of taxes, was a gain of $8.4 million, a loss of $10.2 million and a loss of $4.8 million in fiscal 2010, 2009 and 2008, respectively.

Other gains and charges in fiscal 2010 included a $16.5 million gain on the sale of On The Border partially offset by $2.9 million of charges related to long-lived asset impairments and lease termination charges primarily associated with the closure of three underperforming restaurants.

Other gains and charges in fiscal 2009 included a $9.0 million charge related to long-lived asset impairments, $1.0 million of lease termination charges resulting from the decision to close six underperforming restaurants and $1.6 million of lease termination charges associated with restaurants closed in prior years. Also included was a $3.7 million impairment charge associated with four underperforming restaurants that are continuing to operate.

Other gains and charges in fiscal 2008 included a $6.3 million charge related to long-lived asset impairments resulting from the decision to close 12 underperforming restaurants and a $0.7 million charge related to the decrease in the estimated sales value of land associated with previously closed restaurants.

3. OTHER RESTAURANT DISPOSITIONS AND EQUITY METHOD INVESTMENTS

(a) Sale of Macaroni Grill

In December 2008, we completed the sale of Macaroni Grill. We received cash proceeds of approximately $88.0 million and recorded a loss of $40.4 million in other gains and charges in the consolidated statement of income in fiscal 2009. The net assets sold totaled approximately $110 million and consisted primarily of property and equipment of $105 million. Macaroni Grill operating results were included in continuing operations for fiscal 2009 (through the sale date of December 18, 2008) and prior years as we have involvement in the ongoing operations of Macaroni Grill.

In December 2008, we contributed $6.0 million to the new entity representing an 18.2% ownership interest. In April 2009, we received a $6.0 million distribution representing substantially all of our equity investment in Macaroni Grill while retaining our ownership interest. We discontinued the application of the equity method of accounting subsequent to the receipt of the $6.0 million distribution and recording our share of Macaroni Grill's net loss during fiscal 2009.

3. OTHER RESTAURANT DISPOSITIONS AND EQUITY METHOD INVESTMENTS (Continued)

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. This amount has been included in other gains and charges in the consolidated statements of income. Our estimate of fair value was based on the executed purchase agreement.

(b) Other Dispositions

During fiscal 2010, we sold 21 restaurants to a franchisee for $19.0 million in cash and recorded a gain of $2.8 million gain in other gains and charges in the consolidated statement of income.

During fiscal 2009, we recorded gains of $3.9 million related to the sale of nine restaurants to a franchisee and other land sales.

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 sale was completed in November 2007 and we recorded a gain of $29.7 million in other gains and charges in the consolidated statement of income in fiscal 2008. 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.

(c) Joint Venture Investment

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. We made a $4.6 million and an $8.7 million capital contribution to the joint venture in fiscal 2009 and 2008, respectively. 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. This amount has been included in restaurant expense in our consolidated statements of income due to the immaterial nature of the amount. At June 30, 2010, 17 Chili's restaurants were operating in the joint venture.

4. OTHER GAINS AND CHARGES

	2010	2009	2008
Restaurant impairment charges	$ 19,789	$ 10,517	$ 7,450
Restaurant closure charges	13,409	59,362	43,797
Severance and other benefits	1,887	5,496	7,165
Gains on the sale of assets, net (see Note 3)	(4,878)	(3,902)	(29,684)
Charges related to the sale of Macaroni Grill (see Note 3)	—	40,362	155,661
Impairment of goodwill (see Note 6)	—	7,713	—
Development-related costs	—	—	13,055
Other gains and charges, net	(1,722)	(936)	(1,080)
	$ 28,485	$118,612	$ 196,364

We recorded impairment charges for the excess of the carrying amount of property and equipment over the fair value related to underperforming restaurants that are continuing to operate. Restaurant impairment charges were $19.8 million, $10.5 million and $7.5 million during fiscal 2010, 2009, and 2008, respectively. See Note 11 for fair value disclosures related to the fiscal 2010 charges.

4. OTHER GAINS AND CHARGES (Continued)

In fiscal 2010, we recorded $13.4 million in charges primarily related to long-lived asset impairments resulting from the decision to close nine underperforming restaurants. The charges include $5.4 million of long-lived asset impairments and $4.0 million in lease termination charges. Also included is $2.4 million in lease termination charges related to restaurants closed in prior years.

In fiscal 2009, we recorded $59.4 million in charges primarily related to long-lived asset impairments resulting from the decision to close 37 underperforming restaurants, including eight international restaurants. The charges related to the domestic restaurant closures include $35.2 million of long-lived asset impairments, $5.2 million in lease termination charges and $1.2 million of charges related to the write-off of other assets and liabilities. The charges related to the international restaurant closures include $5.6 million of long-lived asset impairments and $2.1 million of charges related to realized foreign currency translation losses. Also included is $6.2 million in lease termination charges associated with restaurants closed in prior years.

In fiscal 2008, we recorded $43.8 million in charges primarily related to long-lived asset impairments resulting from the closure of 49 underperforming restaurants. The charges include $34.7 million of long-lived asset impairments and $9.0 million in lease termination charges.

During the last three fiscal years, we made organizational changes designed to streamline decision making and support our strategic goals and evolving business model. We incurred $1.9 million, $5.5 million and $7.2 million in severance and other benefits resulting from these actions in fiscal 2010, 2009, and 2008, respectively. The severance charges are net of income related to the forfeiture of stock-based compensation awards.

In fiscal 2008, we made the decision to reduce future domestic company-owned restaurant development as well as discontinue certain projects that did not align with our strategic goals. In connection with these actions, we incurred $13.1 million in charges related to asset write-offs for sites under development and other discontinued projects.

5. PREPAID EXPENSES AND OTHER

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

	2010	2009
Prepaid opening supplies	$ 34,837	$35,906
Restricted cash (see Note 1(o))	—	29,749
Other	29,124	24,563
	$63,961	$90,218

6. GOODWILL

The changes in the carrying amount of goodwill for the fiscal years ended June 30, 2010 and June 24, 2009 are as follows (in thousands):

	2010	2009
Balance at beginning of year:		
Goodwill	$187,766	$189,705
Accumulated impairment losses(a)	(62,834)	(55,121)
	124,932	134,584
Changes in goodwill:		
Impairment losses(b)	—	(7,713)
Disposals and other, net(c)	(843)	(1,939)
Balance at end of year:		
Goodwill	186,923	187,766
Accumulated impairment losses	(62,834)	(62,834)
	$ 124,089	$ 124,932

(a) The impairment losses recorded in prior years are related to restaurant brands that we no longer own.

(b) We recorded a non-cash goodwill impairment charge of $7.7 million in fiscal 2009 resulting from the closure of eight international restaurants. This charge was included in other gains and charges in the consolidated statement of income in fiscal 2009.

(c) Disposals and other, net primarily reflects goodwill write-offs associated with refranchising transactions.

7. ACCRUED AND OTHER LIABILITIES

Accrued liabilities consist of the following (in thousands):

	2010	2009
Payroll	$ 79,159	$ 74,070
Gift cards	78,505	72,651
Insurance	28,234	30,021
Sales tax	24,801	23,991
Property tax	17,423	23,160
Dividends	14,565	569
Other	57,853	60,944
	$ 300,540	$ 285,406

Other liabilities consist of the following (in thousands):

	2010	2009
Straight-line rent	$ 52,241	$ 50,151
Insurance	47,123	42,361
Landlord contributions	30,810	30,564
Unrecognized tax benefits	13,290	21,783
Other	5,504	6,920
	$148,968	$151,779

8. INCOME TAXES

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

	2010	2009	2008
Current income tax expense (benefit):			
Federal	$ 36,493	$ (41,803)	$ 59,088
State	9,055	(1,189)	10,883
Foreign	1,904	1,808	1,808
Total current income tax expense (benefit)	47,452	(41,184)	71,779
Deferred income tax expense (benefit):			
Federal	(15,773)	41,878	(62,646)
State	(3,415)	6,040	(6,489)
Total deferred income tax expense (benefit)	(19,188)	47,918	(69,135)
	$ 28,264	$ 6,734	$ 2,644

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):

	2010	2009	2008
Income tax expense at statutory rate	$ 46,196	$27,599	$ 16,882
FICA tax credit	(16,625)	(19,307)	(21,685)
State income taxes, net of Federal benefit	1,711	3,154	2,853
Other	(3,018)	(4,712)	4,594
	$ 28,264	$ 6,734	$ 2,644

8. 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 30, 2010 and June 24, 2009 are as follows (in thousands):

	2010	2009
Deferred income tax assets:		
Leasing transactions	$ 35,795	$ 38,936
Stock-based compensation	17,671	19,351
Restructure charges and impairments	9,134	12,317
Insurance reserves	26,734	3,974
Employee benefit plans	1,044	1,055
Federal credit carryforward	—	18,188
Other, net	21,615	22,300
Total deferred income tax assets	111,993	116,121
Deferred income tax liabilities:		
Prepaid expenses	12,963	15,197
Goodwill and other amortization	19,971	17,976
Depreciation and capitalized interest on property and equipment	11,143	28,649
Captive insurance	—	1,335
Other, net	3,096	6,474
Total deferred income tax liabilities	47,173	69,631
Net deferred income tax asset	$ 64,820	$ 46,490

A reconciliation of unrecognized tax benefits for the fiscal years ended June 30, 2010 and June 29, 2009 are as follows (in thousands):

	2010	2009
Balance at beginning of year	$ 27,711	$ 27,139
Additions based on tax positions related to the current year	1,184	4,130
Reductions based on tax positions related to prior years	(1,754)	(91)
Settlements with tax authorities	(2,290)	(4)
Expiration of statute of limitations	(6,001)	(3,463)
Balance at end of year	$ 18,850	$ 27,711

The total amount of unrecognized tax benefits as of June 30, 2010 was $18.9 million ($13.5 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 $5.0 million ($3.9 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 2010 we recognized a benefit of approximately $1.0 million in interest due to the reduction of accrued interest from statute expirations and settlements, net of accrued interest for remaining positions,

8. INCOME TAXES (Continued)

compared to a charge of $0.9 million in fiscal 2009. As of June 30, 2010, we had $4.9 million ($3.5 million net of a $1.4 million Federal deferred tax benefit) of interest and penalties accrued, compared to $6.3 million ($4.5 million net of a $1.8 million Federal deferred tax benefit) at June 24, 2009.

9. DEBT

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

	2010	2009
Term loans	$ 200,000	$ 390,000
5.75% notes	289,405	289,253
Capital lease obligations (see Note 10)	51,972	50,009
	541,377	729,262
Less current installments	(16,866)	(1,815)
	$524,511	$ 727,447

During fiscal 2010, we repaid $190.0 million on our three-year original $400.0 million term loan agreement which was set to expire in October 2010. In June 2010, we refinanced the outstanding balance of $200.0 million by entering into a five-year term loan agreement. The new 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 3.25%, and expires in June 2015. Based on our current credit rating, we are paying interest at a rate of LIBOR plus 2.75% (3.10% as of June 30, 2010).

In conjunction with the refinancing of our term loan, we entered into a new revolving credit facility agreement and terminated the previous agreement which was set to expire in February 2012. The new facility was reduced to $200 million, 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 3.25%, and expires in June 2015. Based on our current credit rating, the revolving credit facility carries an interest rate of LIBOR plus 2.75% (3.10% as of June 30, 2010). We expensed approximately $1.7 million of remaining capitalized financing costs associated with the terminated revolving credit facility, which is included in interest expense in the consolidated statement of income in fiscal 2010. As of June 30, 2010, we have $200 million available to us under our revolving credit facility.

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. In April 2009, we repurchased and retired $10.0 million of the notes at a discount and recorded a $1.3 million gain on the extinguishment of debt in interest expense in the consolidated statement of income in fiscal 2009.

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.

9. DEBT (Continued)

Excluding capital lease obligations (see Note 10) our long-term debt maturities for the five years following June 30, 2010 are as follows (in thousands):

Fiscal Year	Long-Term Debt
2011	$ 15,000
2012	20,000
2013	20,000
2014	309,405
2015	125,000
Thereafter	—
	$ 489,405

10. LEASES

(a) Capital Leases

We lease certain buildings under capital leases. The asset value of $40.6 million at June 30, 2010 and $36.9 million at June 24, 2009, and the related accumulated amortization of $12.5 million and $10.6 million at June 30, 2010 and June 24, 2009, 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 2010, 2009, and 2008 was $102.5 million, $117.5 million, and $131.9 million, respectively. Contingent rent included in rent expense for fiscal 2010, 2009, and 2008 was $4.7 million, $6.5 million, and $8.8 million, respectively.

10. LEASES (Continued)

(c) Commitments

As of June 30, 2010, future minimum lease payments on capital and operating leases were as follows (in thousands):

Fiscal Year	Capital Leases	Operating Leases
2011	$ 5,262	$ 100,152
2012	5,367	94,049
2013	5,473	86,810
2014	5,581	77,337
2015	5,692	65,562
Thereafter	59,205	178,836
Total minimum lease payments(a)	86,580	$602,746
Imputed interest (average rate of 7%)	(34,608)	
Present value of minimum lease payments	51,972	
Less current installments	(1,866)	
	$ 50,106	

(a) Future minimum lease payments have not been reduced by minimum sublease rentals due in the future under non-cancelable subleases. Sublease rentals are approximately $34.5 million and $66.8 million for capital and operating subleases, respectively.

11. FAIR VALUE DISCLOSURES

(a) Non-Financial Assets Measured on a Non-Recurring Basis

We review the carrying amount of property and equipment semi-annually or when events or circumstances indicate that the carrying amount may not be recoverable. If the carrying amount is not recoverable, we record an impairment charge for the excess of the carrying amount over the fair value.

Included in other gains and charges in the consolidated statement of income for fiscal 2010 is a $19.8 million charge related to the impairment of long-lived assets held for use associated with 22 underperforming restaurants that had a carrying value of $27.1 million. We determined fair value based on projected discounted future operating cash flows of the restaurants over their remaining service life using a discount rate that is commensurate with the risk inherent in our current business model, which reflects our own judgment. Our non-financial assets measured at fair value on a non-recurring basis were as follows (in thousands):

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Long-lived assets held for use	$ —	$ —	$7,343	$7,343

(b) Other Financial Instruments

Our financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and long-term debt. The fair value of cash and cash equivalents, accounts receivable and accounts payable approximates their carrying amounts while the fair value of the 5.75% notes is based on quoted market prices. The carrying value and fair value of the 5.75% notes at June 30, 2010 was $289.4 million and $302.6 million, respectively.

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"). In October 2008, our shareholders approved an amendment to the 1998 Stock Option and Incentive Plan authorizing the issuance of an additional 2.0 million shares of our common stock to employees, bringing the total number of shares authorized for issuance to employees and non-employee directors and consultants under the Plans to 35.3 million. 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 or to the date on which retirement eligibility is achieved, if shorter. 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.

Transactions during fiscal 2010 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 24, 2009	7,373	$ 22.08		
Granted	894	16.09		
Exercised	(162)	14.75		
Forfeited or canceled	(465)	22.39		
Options outstanding at June 30, 2010	7,640	$21.52	3.7	$ —
Options exercisable at June 30, 2010	6,005	$ 22.14	3.0	$ —

At June 30, 2010, unrecognized compensation expense related to stock options totaled approximately $3.4 million and will be recognized over a weighted average period of 2.1 years. The intrinsic value of options exercised totaled approximately $0.7 million, $3.3 million and $1.5 million during fiscal 2010, 2009 and 2008, 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 generally vest in full on the fourth anniversary of the date of grant or upon each director's retirement from the Board 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.

12. STOCK-BASED COMPENSATION (Continued)

Transactions during fiscal 2010 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 24, 2009	2,600	$ 20.76
Granted	917	11.26
Vested	(843)	20.95
Forfeited	(226)	17.88
Restricted share awards outstanding at June 30, 2010	2,448	$ 17.40

At June 30, 2010, unrecognized compensation expense related to restricted share awards totaled approximately $9.7 million and will be recognized over a weighted average period of 2.3 years. The fair value of shares that vested during fiscal 2010, 2009, and 2008 totaled approximately $9.6 million, $12.7 million and $3.2 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 2010, 2009, and 2008, we contributed approximately $7.3 million, $8.1 million, and $8.9 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 and bonus, 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):

	2010	2009	2008
Income taxes, net of refunds	$20,052	$5,219	$62,260
Interest, net of amounts capitalized	23,923	34,473	48,919

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

	2010	2009	2008
Retirement of fully depreciated assets	$45,854	$46,382	$17,724

15. CONTINGENCIES

As of June 30, 2010, we remain secondarily liable for lease payments totaling $208.0 million resulting from the sale of restaurants to franchisees and brand divestitures. 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 2011 through fiscal 2023. 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 30, 2010.

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. On October 22, 2008, the California Supreme Court granted a writ to review the decision of the Court of Appeal. 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, 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 2010 and 2009 (in thousands, except per share amounts):

	Fiscal Year 2010 Quarters Ended			
	Sept. 23	Dec. 23	March 24	June 30(1)
Revenues	$696,543	$705,515	$713,380	$743,060
Income before provision for income taxes	$13,411	$17,827	$44,245	$56,503
Income from continuing operations	$10,279	$14,837	$35,508	$43,098
Income from discontinued operations, net of taxes	$5,488	$3,487	$4,490	$20,517
Net income	$15,767	$18,324	$39,998	$63,615
Basic net income per share:				
Income from continuing operations	$0.10	$0.14	$0.35	$0.42
Income from discontinued operations	$0.05	$0.04	$0.04	$0.20
Net income per share	$0.15	$0.18	$0.39	$0.62
Diluted net income per share:				
Income from continuing operations	$0.10	$0.14	$0.35	$0.42
Income from discontinued operations	$0.05	$0.04	$0.04	$0.20
Net income per share	$0.15	$0.18	$0.39	$0.62
Basic weighted average shares outstanding	102,243	102,481	102,470	101,934
Diluted weighted average shares outstanding	103,016	102,994	103,357	102,791

16. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED) (Continued)

	Fiscal Year 2009 Quarters Ended			
	Sept. 24	Dec. 24	March 25	June 24
Revenues	$ 893,184	$ 867,003	$ 774,067	$ 742,108
Income (loss) before provision for income taxes	$ 28,574	$ (36,662)	$ 43,941	$ 43,002
Income (loss) from continuing operations	$ 21,016	$(16,959)	$ 31,014	$ 37,050
Income (loss) from discontinued operations, net of taxes	$ 2,765	$ (4,805)	$ 3,989	$ 5,096
Net income (loss)	$ 23,781	$ (21,764)	$ 35,003	$ 42,146
Basic net income (loss) per share:				
Income (loss) from continuing operations	$ 0.20	$ (0.16)	$ 0.30	$ 0.36
Income (loss) from discontinued operations	$ 0.03	$ (0.05)	$ 0.04	$ 0.05
Net income (loss) per share	$ 0.23	$ (0.21)	$ 0.34	$ 0.41
Diluted net income (loss) per share:(2)				
Income (loss) from continuing operations	$ 0.20	$ (0.16)	$ 0.30	$ 0.36
Income (loss) from discontinued operations	$ 0.03	$ (0.05)	$ 0.04	$ 0.05
Net income (loss) per share	$ 0.23	$ (0.21)	$ 0.34	$ 0.41
Basic weighted average shares outstanding	101,630	101,841	101,882	102,051
Diluted weighted average shares outstanding	102,762	102,278	102,752	103,054

(1) The quarter ended June 30, 2010 consisted of 14 weeks, while all other quarters consisted of 13 weeks.

(2) Due to the net loss in the second quarter of fiscal 2009, diluted loss per share is calculated using the basic weighted average number of shares. Using the actual diluted weighted average shares would result in anti-dilution of earnings per share.

Income from continuing operations for fiscal year 2010 included long-lived asset impairments of $20.6 million and $4.6 million in the second and fourth quarters, respectively. Lease termination charges of $2.2 million and $4.0 million were also incurred in the first and third quarters, respectively.

Income from discontinued operations, net of taxes, in the fourth quarter of fiscal 2010 included a pre-tax gain on the sale of On The Border of $16.5 million.

Income from continuing operations for fiscal year 2009 included restaurant closure charges of $1.5 million, $35.2 million, $7.5 million and $10.4 million in the first, second, third and fourth quarters, respectively. A loss on the sale of Macaroni Grill of $40.4 million was included in the second quarter of fiscal 2009. Restaurant impairment charges of $10.5 million and a goodwill impairment charge of $7.7 million were incurred in the fourth quarter of fiscal 2009.

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 30, 2010 and June 24, 2009, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 30, 2010. 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 and subsidiaries as of June 30, 2010 and June 24, 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 2010 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 30, 2010, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 24, 2010 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

August 24, 2010

Report of Independent Registered Public Accounting Firm

The Board of Directors
Brinker International, Inc.:

We have audited Brinker International, Inc. and subsidiaries' ("the Company") internal control over financial reporting as of June 30, 2010, 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 30, 2010, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

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 30, 2010 and June 24, 2009, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2010, and our report dated August 24, 2010 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

August 24, 2010

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 30, 2010 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 30, 2010.

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 30, 2010 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in its attestation report which is included herein.

/S/ DOUGLAS H. BROOKS

DOUGLAS H. BROOKS
President and Chief Executive Officer

/S/ CHARLES M. SONSTEBY

CHARLES M. SONSTEBY
Executive Vice President and Chief Financial Officer

Exhibit 21

BRINKER INTERNATIONAL, INC., A DELAWARE CORPORATION
SUBSIDIARIES

REGISTRANT'S subsidiaries operate full-service restaurants in various locations throughout the United States and internationally under the names Chili's, Chili's Grill & Bar, Maggiano's and Maggiano's Little Italy.

BRINKER RESTAURANT CORPORATION, a Delaware corporation
BRINKER INTERNATIONAL PAYROLL COMPANY, L.P., a Delaware limited partnership
BRINKER ALABAMA, INC., a Delaware corporation
BRINKER ARKANSAS, INC., a Delaware corporation
BRINKER CONNECTICUT CORPORATION, a Delaware corporation
BRINKER FLORIDA, INC., a Delaware corporation
BRINKER FREEHOLD, INC., a New Jersey corporation
BRINKER GEORGIA, INC., a Delaware corporation
BRINKER INDIANA, INC., a Delaware corporation
BRINKER IOWA, INC., a Delaware corporation
BRINKER LOUISIANA, INC., a Delaware corporation
BRINKER MASSACHUSETTS CORPORATION, a Delaware corporation
BRINKER MHC B.V., a Netherlands private company
BRINKER MICHIGAN, INC., a Delaware corporation
BRINKER MISSISSIPPI, INC., a Delaware corporation
BRINKER MISSOURI, INC., a Delaware corporation
BRINKER NEVADA, INC., a Nevada corporation
BRINKER NEW JERSEY, INC., a Delaware corporation
BRINKER NORTH CAROLINA, INC., a Delaware corporation
BRINKER OF BALTIMORE COUNTY, INC., a Maryland corporation
BRINKER OF CARROLL COUNTY, INC., a Maryland corporation
BRINKER OF CECIL COUNTY, INC., a Maryland corporation
BRINKER OF HOWARD COUNTY, INC., a Maryland corporation
BRINKER OHIO, INC., a Delaware corporation
BRINKER OKLAHOMA, INC., a Delaware corporation
BRINKER PENN TRUST, a Pennsylvania business trust
BRINKER RHODE ISLAND, INC., a Rhode Island corporation
BRINKER SERVICES CORPORATION, a Florida corporation
BRINKER SOUTH CAROLINA, INC., a Delaware corporation
BRINKER TEXAS, INC., a Delaware corporation
BRINKER VIRGINIA, INC., a Delaware corporation
CHILI'S BEVERAGE COMPANY, INC., a Texas corporation
CHILI'S, INC., a Delaware corporation
CHILI'S, INC., a Tennessee corporation
CHILI'S INTERNATIONAL BASES, B.V., a Netherlands private company
CHILI'S OF BEL AIR, INC., a Maryland corporation
CHILI'S OF KANSAS, INC., a Kansas corporation
CHILI'S OF MARYLAND, INC., a Maryland corporation
CHILI'S OF WEST VIRGINIA, INC., a West Virginia corporation
MAGGIANO'S, INC., an Illinois corporation
MAGGIANO'S BEVERAGE COMPANY, a Texas corporation
MAGGIANO'S HOLDING CORPORATION, a Delaware corporation
MAGGIANO'S OF TYSON'S, INC., a Virginia corporation
MAGGIANO'S TEXAS, INC., a Delaware corporation

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. 33-56491, 333-02201, 333-93755, 333-105720, 333-125289, and 333-157050 on Form S-8, Registration Statement No. 333-74902 on Form S-3 and Registration Statement No. 333-116879 on Form S-4 of Brinker International, Inc. of our reports dated August 24, 2010, with respect to the consolidated balance sheets of Brinker International, Inc. as of June 30, 2010 and June 24, 2009, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 30, 2010, and the effectiveness of internal control over financial reporting as of June 30, 2010, which reports appear in the 2010 Annual Report on Form 10-K of Brinker International, Inc.

KPMG LLP

Dallas, Texas
August 24, 2010

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 24, 2010

/S/ DOUGLAS H. BROOKS

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

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 24, 2010

/S/ CHARLES M. SONSTEBY

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

Exhibit 32(a)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the "Company"), hereby certifies that the Company's Annual Report on Form 10-K for the year ended June 30, 2010 (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 24, 2010

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

Exhibit 32(b)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the "Company"), hereby certifies that the Company's Annual Report on Form 10-K for the year ended June 30, 2010 (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 24, 2010

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