

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

**FORM 10-Q**

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

**For the Quarterly Period Ended March 30, 2011**

**Commission File Number 1-10275**

**BRINKER INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

**DELAWARE**  
(State or other jurisdiction of  
incorporation or organization)

**75-1914582**  
(I.R.S. Employer  
Identification No.)

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

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

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

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

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

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 Exchange Act). Yes  No

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

Class  
**Common Stock, \$0.10 par value**

Outstanding at May 2, 2011  
**84,790,889 shares**

**BRINKER INTERNATIONAL, INC.**

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## PART I. FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

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

	March 30, 2011 (Unaudited)	June 30, 2010
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 106,949	\$ 344,624
Accounts receivable	36,724	45,140
Inventories	26,005	26,735
Prepaid expenses and other	60,556	63,961
Deferred income taxes	12,969	20,607
Total current assets	<u>243,203</u>	<u>501,067</u>
Property and Equipment at Cost:		
Land	157,032	163,018
Buildings and leasehold improvements	1,380,576	1,367,646
Furniture and equipment	538,848	556,815
Construction-in-progress	2,845	11,870
	<u>2,079,301</u>	<u>2,099,349</u>
Less accumulated depreciation and amortization	<u>(1,011,659)</u>	<u>(970,272)</u>
Net property and equipment	<u>1,067,642</u>	<u>1,129,077</u>
Other Assets:		
Goodwill	124,089	124,089
Deferred income taxes	24,535	44,213
Other	47,927	53,658
Total other assets	<u>196,551</u>	<u>221,960</u>
Total assets	<u>\$ 1,507,396</u>	<u>\$ 1,852,104</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Current installments of long-term debt	\$ 22,033	\$ 16,866
Accounts payable	82,905	112,824
Accrued liabilities	287,979	300,540
Income taxes payable	1,453	19,647
Total current liabilities	<u>394,370</u>	<u>449,877</u>
Long-term debt, less current installments	508,058	524,511
Other liabilities	139,278	148,968
Commitments and Contingencies (Note 8)		
Shareholders' Equity:		
Common stock – 250,000,000 authorized shares; \$0.10 par value; 176,246,649 shares issued and 85,161,170 shares outstanding at March 30, 2011, and 176,246,649 shares issued and 101,571,588 shares outstanding at June 30, 2010	17,625	17,625
Additional paid-in capital	464,580	465,721
Retained earnings	1,983,044	1,923,561
	<u>2,465,249</u>	<u>2,406,907</u>
Less treasury stock, at cost (91,085,479 shares at March 30, 2011 and 74,675,061 shares at June 30, 2010)	<u>(1,999,559)</u>	<u>(1,678,159)</u>
Total shareholders' equity	<u>465,690</u>	<u>728,748</u>
Total liabilities and shareholders' equity	<u>\$ 1,507,396</u>	<u>\$ 1,852,104</u>

See accompanying notes to consolidated financial statements.

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

	<u>Thirteen Week Periods Ended</u>		<u>Thirty-Nine Week Periods Ended</u>	
	<u>March 30,</u> <u>2011</u>	<u>March 24,</u> <u>2010</u>	<u>March 30,</u> <u>2011</u>	<u>March 24,</u> <u>2010</u>
Revenues	\$ 717,119	\$ 713,380	\$ 2,043,898	\$ 2,115,438
Operating Costs and Expenses:				
Cost of sales	195,182	203,242	548,960	610,452
Restaurant labor	227,821	230,790	658,432	689,760
Restaurant expenses	163,007	159,733	490,206	496,202
Depreciation and amortization	31,858	33,307	96,883	102,972
General and administrative	35,593	32,079	97,024	99,535
Other gains and charges	2,424	4,350	8,318	25,299
Total operating costs and expenses	655,885	663,501	1,899,823	2,024,220
Operating income	61,234	49,879	144,075	91,218
Interest expense	7,179	6,498	21,409	20,258
Other, net	(1,444)	(864)	(5,178)	(4,523)
Income before provision for income taxes	55,499	44,245	127,844	75,483
Provision for income taxes	15,253	8,737	28,703	14,859
Income from continuing operations	40,246	35,508	99,141	60,624
Income from discontinued operations, net of taxes	0	4,490	0	13,465
Net income	\$ 40,246	\$ 39,998	\$ 99,141	\$ 74,089
Basic net income per share:				
Income from continuing operations	\$ 0.46	\$ 0.35	\$ 1.06	\$ 0.59
Income from discontinued operations	\$ 0.00	\$ 0.04	\$ 0.00	\$ 0.13
Net income per share	\$ 0.46	\$ 0.39	\$ 1.06	\$ 0.72
Diluted net income per share:				
Income from continuing operations	\$ 0.45	\$ 0.34	\$ 1.05	\$ 0.59
Income from discontinued operations	\$ 0.00	\$ 0.05	\$ 0.00	\$ 0.13
Net income per share	\$ 0.45	\$ 0.39	\$ 1.05	\$ 0.72
Basic weighted average shares outstanding	87,679	102,470	93,112	102,398
Diluted weighted average shares outstanding	89,647	103,357	94,456	103,122
Dividends per share	\$ 0.14	\$ 0.25	\$ 0.42	\$ 0.47

See accompanying notes to consolidated financial statements.

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

	<b>Thirty-Nine Week Periods Ended</b>	
	<b>March 30, 2011</b>	<b>March 24, 2010</b>
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 99,141	\$ 74,089
Income from discontinued operations, net of taxes	0	(13,465)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	96,883	102,972
Restructure charges and other impairments	6,285	27,248
Net gain on disposal of assets	(1,198)	(3,545)
Stock-based compensation	9,604	12,372
Deferred income taxes	26,711	(11,337)
Earnings on equity investments	(117)	(167)
Changes in assets and liabilities, excluding effects of dispositions:		
Accounts receivable	7,366	8,148
Inventories	701	5,660
Prepaid expenses and other	5,647	7,270
Current income taxes	(20,731)	30,500
Other assets	1,141	1,123
Accounts payable	(25,201)	(14,062)
Accrued liabilities	(14,180)	(2,163)
Other liabilities	(3,879)	(2,049)
Net cash provided by operating activities	<u>188,173</u>	<u>222,594</u>
<b>Cash Flows from Investing Activities:</b>		
Payments for property and equipment	(48,892)	(31,602)
Proceeds from sale of assets	8,696	19,568
Investments in equity method investees	(1,921)	0
Decrease in restricted cash	0	29,749
Net cash (used in) provided by investing activities	<u>(42,117)</u>	<u>17,715</u>
<b>Cash Flows from Financing Activities:</b>		
Purchases of treasury stock	(358,983)	(2,852)
Payments of dividends	(40,996)	(34,426)
Proceeds from issuances of treasury stock	26,851	1,111
Payments on long-term debt	(10,846)	(140,792)
Excess tax benefits from stock-based compensation	243	131
Net cash used in financing activities	<u>(383,731)</u>	<u>(176,828)</u>
<b>Cash Flows from Discontinued Operations:</b>		
Net cash provided by operating activities	0	28,008
Net cash used in investing activities	0	(3,719)
Net cash provided by discontinued operations	<u>0</u>	<u>24,289</u>
Net change in cash and cash equivalents	(237,675)	87,770
Cash and cash equivalents at beginning of period	344,624	94,156
Cash and cash equivalents at end of period	<u>\$ 106,949</u>	<u>\$ 181,926</u>

See accompanying notes to consolidated financial statements.

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

**1. BASIS OF PRESENTATION**

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

Our consolidated financial statements as of March 30, 2011 and June 30, 2010 and for the thirteen week and thirty-nine week periods ended March 30, 2011 and March 24, 2010 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). 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 March 30, 2011, we owned, operated, or franchised 1,571 restaurants in the United States and 30 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. On The Border has been presented as discontinued operations in the consolidated financial statements for fiscal 2010. See Note 3 for additional disclosure.

At the beginning of fiscal 2011, we began reporting certain labor expenses in a separate caption on the consolidated statements of income titled restaurant labor. Restaurant labor includes all compensation-related expenses, including benefits and incentive compensation, for restaurant team members at the general manager level and below. Labor-related expenses attributable to supervision above the individual restaurant level continue to be included in restaurant expenses. These reclassifications have no effect on our net income or financial position as previously reported.

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.

The information furnished herein reflects all adjustments (consisting only of normal recurring accruals and adjustments) which are, in our opinion, necessary to fairly state the interim operating results for the respective periods. However, these operating results are not necessarily indicative of the results expected for the full fiscal year. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to SEC rules and regulations. The notes to the consolidated financial statements (unaudited) should be read in conjunction with the notes to the consolidated financial statements contained in the June 30, 2010 Form 10-K. We believe the disclosures are sufficient for interim financial reporting purposes.

## 2. EARNINGS PER SHARE

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the calculation of diluted earnings 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 1.7 million stock options and restricted share awards outstanding at March 30, 2011 and 7.3 million stock options and restricted share awards outstanding at March 24, 2010 that were not included in the dilutive earnings per share calculation because the effect would have been anti-dilutive.

## 3. 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 \$180 million. We recorded a gain upon completion of the sale in June 2010. 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 offsets the internal cost of providing the services.

On The Border has been presented as discontinued operations in the consolidated financial statements in fiscal 2010. Discontinued operations include only the revenues and expenses which can be specifically identified with On The Border and exclude any allocation of corporate costs, including general and administrative expenses. The results of On The Border consist of the following (in thousands):

	Thirteen Week Period Ended March 24, 2010	Thirty-Nine Week Period Ended March 24, 2010
Revenues	\$ 80,142	\$ 238,018
Income before income taxes from discontinued operations	6,369	19,249
Income tax expense	1,879	5,784
Net income from discontinued operations	\$ 4,490	\$ 13,465

#### 4. FAIR VALUE MEASUREMENTS

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

Included in other gains and charges in the consolidated statement of income for fiscal 2011 is a \$1.1 million charge related to the impairment of long-lived assets held for use associated with two underperforming restaurants that had a carrying value of \$1.4 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			Total
	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-lived assets held for use	\$ —	\$ —	\$ 0.3	\$0.3

##### (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. At March 30, 2011, the 5.75% notes had a carrying value of \$289.5 million and a fair value of \$305.4 million. At June 30, 2010, the 5.75% notes had a carrying value of \$289.4 million and a fair value of \$302.6 million.



## 5. OTHER GAINS AND CHARGES

Other gains and charges consist of the following (in thousands):

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	March 30, 2011	March 24, 2010	March 30, 2011	March 24, 2010
Restaurant impairment charges	\$ 0	\$ 0	\$ 1,125	\$ 15,174
Restaurant closure charges	160	4,831	2,698	13,269
Severance and other benefits	990	75	4,643	1,813
Gains on the sale of assets, net	(529)	0	(1,705)	(3,545)
Other gains and charges, net	1,803	(556)	1,557	(1,412)
	<u>\$ 2,424</u>	<u>\$ 4,350</u>	<u>\$ 8,318</u>	<u>\$ 25,299</u>

We recorded impairment charges of \$1.1 million and \$15.2 million in fiscal 2011 and 2010, respectively. The impairment charges, which were associated with underperforming restaurants that continue to operate, were measured as the excess of the carrying amount of property and equipment over the fair value. See Note 4 for fair value disclosures related to the fiscal 2011 charges.

During the first three quarters of fiscal 2011, we recorded \$2.7 million in charges, including \$1.8 million in lease termination charges associated with restaurants closed in prior years. We also incurred \$4.6 million in severance and other benefits resulting organizational changes, \$1.7 million in net gains on the sale of property and a \$1.5 million charge related to litigation.

During the first three quarters of fiscal 2010, we recorded \$13.3 million in charges, including \$5.4 million of long-lived asset impairments, resulting from the decision to close nine company-owned restaurants and \$6.4 million in lease termination charges associated with restaurants closed in prior years. We also incurred \$1.8 million in severance and other benefits resulting from organizational changes.

In fiscal 2010, we recorded \$3.5 million in net gains on the sale of assets, including a \$2.8 million gain from the sale of 21 restaurants to a franchisee.

## 6. SHAREHOLDERS' EQUITY

Our Board of Directors has authorized a total of \$2,635.0 million of share repurchases. Pursuant to our stock repurchase plan, we repurchased approximately 18.0 million shares of our common stock for \$357.0 million during the first three quarters of fiscal 2011. As of March 30, 2011, approximately \$258 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.

During the first three quarters of fiscal 2011, we paid dividends of \$41.0 million to common stock shareholders, compared to \$34.4 million in the prior year. Our Board of Directors approved a 27 percent increase in the quarterly dividend from \$0.11 to \$0.14 per share effective with the July dividend payment which was declared in March 2010. Additionally, we declared a quarterly dividend of \$12.2 million in February 2011 which was paid on March 31, 2011.

## 7. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for income taxes and interest for the first three quarters of fiscal 2011 and 2010 are as follows (in thousands):

	<u>March 30, 2011</u>	<u>March 24, 2010</u>
Income taxes, net of refunds	\$ 29,002	\$ 5,190
Interest, net of amounts capitalized	15,248	13,647

Non-cash investing activities for the first three quarters of fiscal 2011 and 2010 are as follows (in thousands):

	<u>March 30, 2011</u>	<u>March 24, 2010</u>
Retirement of fully depreciated assets	\$ 50,856	\$ 37,659

## 8. CONTINGENCIES

In connection with the sale of restaurants to franchisees and brand divestitures, we have, in certain cases, guaranteed lease payments. As of March 30, 2011 and June 30, 2010, we have outstanding lease guarantees or are secondarily liable for \$175.5 million and \$208.0 million, respectively. 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 March 30, 2011. In the third quarter of fiscal 2011, we were released from secondary obligations of approximately \$11.4 million pursuant to the terms of certain On The Border leases.

Certain current and former hourly restaurant team members 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. In July 2008, the California Court of Appeal decertified the class action on all claims with prejudice. In October 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. Reserves have been established based on our best estimates of our potential liability in certain of these matters. Based upon consultation with legal counsel, Management 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.

[Table of Contents](#)**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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

	<u>Thirteen Week Periods Ended</u>		<u>Thirty-Nine Week Periods Ended</u>	
	<u>March 30,</u> <u>2011</u>	<u>March 24,</u> <u>2010</u>	<u>March 30,</u> <u>2011</u>	<u>March 24,</u> <u>2010</u>
Revenues	100.0%	100.0%	100.0%	100.0%
Operating Costs and Expenses:				
Cost of sales	27.2%	28.5%	26.9%	28.9%
Restaurant labor	31.8%	32.4%	32.2%	32.6%
Restaurant expenses	22.7%	22.4%	24.0%	23.4%
Depreciation and amortization	4.4%	4.7%	4.7%	4.9%
General and administrative	5.0%	4.5%	4.8%	4.7%
Other gains and charges	0.4%	0.5%	0.4%	1.2%
Total operating costs and expenses	91.5%	93.0%	93.0%	95.7%
Operating income	8.5%	7.0%	7.0%	4.3%
Interest expense	1.0%	0.9%	1.0%	0.9%
Other, net	(0.2)%	(0.1)%	(0.3)%	(0.2)%
Income before provision for income taxes	7.7%	6.2%	6.3%	3.6%
Provision for income taxes	2.1%	1.2%	1.4%	0.7%
Income from continuing operations	5.6%	5.0%	4.9%	2.9%
Income from discontinued operations, net of taxes	0.0%	0.6%	0.0%	0.6%
Net income	5.6%	5.6%	4.9%	3.5%

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The following table details the number of restaurant openings during the third quarter, year-to-date, total restaurants open at the end of the third quarter, and total projected openings in fiscal 2011 (excluding On The Border).

	Third Quarter Openings		Year-to-Date Openings		Total Open at End Of Third Quarter		Projected Openings
	Fiscal 2011	Fiscal 2010	Fiscal 2011	Fiscal 2010	Fiscal 2011	Fiscal 2010	Fiscal 2011
Chili's:							
Company-owned	0	0	0	0	824	827	0
Domestic Franchised	3	3	10	35	476	466	8-10
Total	3	3	10	35	1,300	1,293	8-10
Maggiano's:	0	1	0	1	44	44	0
International:(a)							
Company-owned	0	0	0	0	0	0	0
Franchised	7	5	16	20	227	218	25-30
Total	7	5	16	20	227	218	25-30
Grand Total	<u>10</u>	<u>9</u>	<u>26</u>	<u>56</u>	<u>1,571</u>	<u>1,555</u>	<u>33-40</u>

(a) At the end of the third quarter of fiscal 2011, international franchised restaurants by brand included 226 Chili's and one Maggiano's restaurant.

At March 30, 2011, we owned the land and buildings for 189 of the 868 company-owned restaurants. The net book values of the land and buildings associated with these restaurants totaled \$142.7 million and \$135.4 million, respectively.

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### **GENERAL**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand Brinker International, our operations, and our current operating environment. For an understanding of the significant factors that influenced our performance during the quarters ended March 30, 2011 and March 24, 2010, the MD&A should be read in conjunction with the consolidated financial statements and related notes included in this quarterly report.

### **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 March 30, 2011, we owned, operated, or franchised 1,571 restaurants. 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. On The Border has been presented as discontinued operations in the consolidated financial statements in fiscal 2010.

We are committed to strategies and initiatives that are centered on long-term sales and profit growth, enhancing the guest experience and team member engagement. These strategies are intended 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.

Economic conditions have been turbulent over the last year and have provided a challenging operating environment for Brinker and the casual dining industry this quarter. Key economic factors such as total employment, consumer confidence and spending levels have been improving recently; however, economic recovery remains slow. In addition, recent gas price increases and the potential for near term commodity price increases may negatively impact the industry. We anticipate that market conditions will continue to affect our business and consumers will remain cautious as the economy slowly rebounds. Historically, the industry has not experienced a high correlation of fuel prices and sales; however, fuel prices at a certain level may negatively impact consumer behavior regarding casual dining occasions. We will continue to evaluate our business and implement initiatives designed to mitigate risk, improve short-term sales and profitability and provide opportunities for long-term growth.

We are focused on strengthening our business with multidimensional strategies that are designed to drive profitable sales growth and improve the guest experience in our restaurants. We have implemented a team service model at Chili's which has resulted in labor efficiencies and better guest feedback. Additional labor savings were achieved through new food preparation procedures, a component of our kitchen retrofit initiative which was implemented at an accelerated pace in the second quarter. We are implementing new restaurant information systems which we anticipate will increase profits through increased kitchen efficiency and better inventory control. We are also retrofitting our kitchens with better technology and equipment to provide a more consistent, high quality product at a faster pace, while generating substantial labor cost savings. In addition to executing these operational strategies, we have repurchased shares of our common stock in order to return value to our shareholders. It is critical to improve margins and maximize profitability in the current business environment; however, maintaining or improving our market share is a significant priority.

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We plan to leverage our improved business model and elevated guest experience by implementing multiple initiatives that will further enhance guest traffic and sales. We continually evaluate our menu at Chili's to improve quality, freshness and value by introducing new items and improving existing favorites. Our new lunch menu items are focused on value and pace to drive our lunch daypart sales. Additionally, we have introduced new items and promotions to enhance our dinner and happy hour business. We will continue to utilize promotional activities as a tool to drive incremental sales; however, this is only one aspect of our overall sales strategy. We are committed to offering a compelling everyday menu that provides items our guests prefer at a solid value. We intend to remodel a significant number of company-owned restaurants beginning in fiscal 2011, revitalizing Chili's in a way which modernizes the brand and raises guest expectations regarding the quality of the experience. Improvements at Chili's will make the most significant impact on the business; however, our results will also benefit through additional contributions from Maggiano's and our global business. Maggiano's sales trends and traffic continue to improve, driven by new menu items and direct marketing. We believe our unique food and signature drinks, improved service and updated atmosphere will result in stronger brands and sustainable sales and profit growth through increased guest loyalty and traffic.

Global expansion allows further diversification which is intended to enable us to build strength in a variety of markets and economic conditions. This expansion will come through joint venture arrangements, 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 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 profitable growth over time in all operating environments. We have designed both operational and financial strategies to achieve this goal and in our opinion, improve shareholder value. Success with our initiatives to improve sales trends and operational effectiveness will enhance the profitability of our restaurants and strengthen our competitive position. The effective execution of our financial strategies, including repurchasing shares of our common stock, disciplined use of capital and efficient management of operating expenses will further enhance our profitability and return value to our shareholders. 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.

[Table of Contents](#)**REVENUES**

Revenues for the third quarter of fiscal 2011 increased to \$717.1 million, a 0.5% increase from the \$713.4 million generated for the same quarter of fiscal 2010. Revenues for the thirty-nine week period ended March 30, 2011 were \$2,043.9 million, a 3.4% decrease from the \$2,115.4 million generated for the same period in fiscal 2010. The changes in revenue were primarily attributable to the change in comparable restaurant sales as well as net changes in capacity at company-owned restaurants as follows:

	<b>Thirteen Week Period Ended March 30, 2011</b>				
	<b>Comparable Sales</b>	<b>Price Increase</b>	<b>Mix Shift</b>	<b>Traffic</b>	<b>Capacity</b>
Company-owned	0.1%	1.2%	(1.6)%	0.6%	(0.7)%
Chili's	(0.3)%	1.2%	(1.8)%	0.2%	(0.8)%
Maggiano's	3.4%	0.7%	(0.6)%	3.2%	0.7%
Franchise (1)	(0.9)%				
Domestic	(2.0)%				
International	2.6%				
System-wide (2)	(0.2)%				

	<b>Thirteen Week Period Ended March 24, 2010</b>				
	<b>Comparable Sales</b>	<b>Price Increase</b>	<b>Mix Shift</b>	<b>Traffic</b>	<b>Capacity(3)</b>
Company-owned	(4.2)%	0.9%	(1.7)%	(3.4)%	(5.3)%
Chili's	(5.0)%	0.9%	(1.7)%	(4.2)%	(4.8)%
Maggiano's	1.9%	0.4%	(0.9)%	2.4%	0.9%
Franchise (1)	(4.8)%				
Domestic	(6.4)%				
International	1.2%				
System-wide (2)	(4.4)%				

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	Thirty-Nine Week Period Ended March 30, 2011				
	Comparable Sales	Price Increase	Mix Shift	Traffic	Capacity
Company-owned	(2.5)%	1.1%	0.2%	(3.9)%	(2.4)%
Chili's	(3.3)%	1.2%	0.4%	(5.0)%	(2.5)%
Maggiano's	3.3%	0.6%	(0.5)%	3.2%	0.2%
Franchise (1)	(3.1)%				
Domestic	(4.7)%				
International	2.0%				
System-wide (2)	(2.7)%				

	Thirty-Nine Week Period Ended March 24, 2010				
	Comparable Sales	Price Increase	Mix Shift	Traffic	Capacity(3)
Company-owned	(4.4)%	1.3%	(1.8)%	(3.7)%	(15.7)%
Chili's	(4.7)%	1.5%	(2.0)%	(4.3)%	(4.2)%
Maggiano's	(2.0)%	0.5%	(1.5)%	(1.0)%	3.1%
Franchise (1)	(5.5)%				
Domestic	(6.3)%				
International	(2.6)%				
System-wide (2)	(4.8)%				

- (1) Franchise sales are not included in revenues on the consolidated statements of income; however, we generate royalty revenue and advertising fees based on franchise sales, where applicable. We believe including franchise comparable restaurant sales provides investors information regarding brand performance that is relevant to current operations and may impact future restaurant development.
- (2) System-wide comparable restaurant sales are derived from sales generated by company-owned Chili's and Maggiano's restaurants in addition to the sales generated at franchisee restaurants.
- (3) Capacity (as measured by average-weighted sales weeks) for the third quarter and year-to-date periods of fiscal 2010 were impacted by the sale of Macaroni Grill in December 2008 and the closure of company-owned international restaurants which were included in fiscal 2009 average-weighted sales weeks.

Chili's revenues decreased to \$608.4 million, a 0.7% decrease for the third quarter of fiscal 2011 from \$612.6 million in the same quarter of fiscal 2010 primarily due to small decreases in guest check averages and capacity, partially offset by a slight increase in traffic. For the year-to-date period, Chili's revenues decreased to \$1,714.5 million, a 5.2% decrease from \$1,808.1 million in fiscal 2010. The decrease was primarily driven by a decrease in comparable restaurant sales of 3.3% resulting from a decline in guest traffic, partially offset by favorable product mix shift and menu pricing. Revenues were also impacted by a decrease in capacity of 2.5% for the year-to-date period of fiscal 2011 (as measured by average-weighted sales weeks) compared to the respective prior year period, primarily due to the sale of 21 restaurants to a franchisee in December 2009 and three restaurant closures since the third quarter of fiscal 2010.



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Maggiano's revenue increased to \$91.6 million, an 8.7% increase for the third quarter of fiscal 2011 from \$84.3 million in the same quarter of fiscal 2010 primarily driven by a 3.4% increase in comparable restaurant sales and changes to the banquet billing and compensation structure. For the year-to-date period, Maggiano's revenue increased to \$281.2 million, an 8.4% increase from \$259.5 million in fiscal 2010 primarily driven by a 3.3% increase in comparable restaurant sales and changes to the banquet billing and compensation structure. The increases in comparable restaurant sales resulted from increases in guest traffic and menu prices, partially offset by unfavorable product mix shifts. Revenues were also slightly impacted by an increase in capacity of 0.7% and 0.2% for the third quarter and year-to-date periods of fiscal 2011 (as measured by average-weighted sales weeks) compared to the respective prior year periods. The increase in capacity was primarily due to one restaurant opening in the third quarter of fiscal 2010.

Royalty and franchise revenues increased 3.6% to \$17.1 million in the third quarter of fiscal 2011 compared to \$16.5 million in the prior year. For the year-to-date period, royalty and franchise revenues increased slightly to \$48.2 million compared to \$47.9 million in fiscal 2010. The increase is primarily due to the net addition of seven domestic and 20 international franchised restaurants since March 24, 2010. Royalty revenues are recognized based on the sales generated by our franchisees and reported to us. Our franchisees generated approximately \$401.2 million in sales for the third quarter of fiscal 2011, an increase of 1.8% over prior year. For the year-to-date period, our franchisees generated approximately \$1,147.3 million in sales, an increase of 2.2% over prior year.

### **COSTS AND EXPENSES**

Cost of sales, as a percent of revenues, decreased to 27.2% and 26.9% for the third quarter and year-to-date period of fiscal 2011 from 28.5% and 28.9% for the respective prior year periods. Cost of sales was positively impacted in the third quarter and year-to-date periods primarily due to changes made to value offerings at Chili's. While third quarter commodity pricing remained flat, year-to-date commodity pricing decreased in chicken, ribs and oils.

Restaurant labor, as a percent of revenues, decreased to 31.8% for the third quarter of fiscal 2011 from 32.4% in the prior year and to 32.2% for the year-to-date period from 32.6% in the prior year. The decrease was primarily driven by lower labor expenses resulting from the team service and food preparation initiatives at Chili's, partially offset by higher restaurant manager incentive compensation. Restaurant labor includes all compensation-related expenses, including benefits and incentive compensation, for restaurant team members at the general manager level and below.

Restaurant expenses, as a percent of revenues, increased to 22.7% for the third quarter of fiscal 2011 from 22.4% in the prior year primarily due to increased advertising expense, partially offset by lower utilities expense and a decrease in insurance expenses due to favorable claims experience. Restaurant expenses, as a percent of revenues, increased to 24.0% for the year-to-date period from 23.4% in the prior year. The increase was primarily driven by the receipt of a \$3.3 million credit card class action lawsuit settlement in fiscal 2010 and current year changes to Maggiano's banquet billing and compensation structure.

Depreciation and amortization decreased \$1.4 million for the third quarter of fiscal 2011 and \$6.1 million for the year-to-date period of fiscal 2011 compared to the same periods of the prior year primarily driven by an increase in fully depreciated assets and restaurant closures. These decreases were partially offset by an increase in depreciation due to asset replacements and investments in existing restaurants.

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General and administrative expenses increased \$3.5 million, or 11.0%, for the third quarter of fiscal 2011 compared to the same period of fiscal 2010. The increase was primarily due to higher professional fees and performance based compensation. General and administrative expenses decreased \$2.5 million, or 2.5%, for the year-to-date period of fiscal 2011 as compared to the same period of fiscal 2010. The decrease was primarily due to reduced salary and stock-based compensation expenses resulting from lower headcount driven by organizational changes, partially offset by increased performance based compensation and consulting expenses.

Other gains and charges for the third quarter of fiscal 2011 included charges of \$1.5 million related to litigation and \$1.0 million of severance and other benefits resulting from organizational changes. Other gains and charges for the year-to-date period of fiscal 2011 included charges of \$4.6 million in severance and other benefits, \$2.7 million in lease termination and other charges related to previously closed restaurants, \$1.7 million in net gains on the sale of property, \$1.5 million related to litigation and \$1.1 million related to the impairment of long-lived assets held for use associated with underperforming restaurants.

Other gains and charges for the third quarter of fiscal 2010 included \$4.0 million in lease termination charges associated with restaurants closed in prior periods. Other gains and charges for the year-to-date period of fiscal 2010 included charges of \$15.2 million related to the impairment of long-lived assets held for use associated with 15 underperforming restaurants, \$5.4 million primarily related to long-lived asset impairments resulting from the decision to close nine company-owned restaurants, \$6.4 million in lease termination charges associated with restaurants closed in prior years and \$1.8 million of severance and other benefits. These charges were partially offset by net gains of \$3.5 million primarily related to the sale of 21 restaurants to a franchisee and land sales.

Interest expense increased to \$7.2 million for the third quarter of fiscal 2011 and \$21.4 million for the year-to-date period of fiscal 2011 compared to \$6.5 million for the third quarter and \$20.3 million for the year-to-date period of the prior year due to higher average interest rates, partially offset by the impact of a lower average borrowing base.

### **INCOME TAXES**

The effective income tax rate increased to 27.5% for the third quarter of fiscal 2011 compared to 19.7% for the third quarter of the prior year primarily due to the resolution of certain tax positions resulting in a positive impact in the prior year. Excluding the impact of special items and resolved tax positions, the effective income tax rate from continuing operations decreased to 27.1% for the third quarter of fiscal 2011 compared to 27.5% for the prior year period primarily driven by tax credits from workforce programs.

The effective income tax rate increased to 22.5% for the year-to-date period of fiscal 2011 compared to 19.7% for the same period of the prior year primarily due to an increase in earnings, partially offset by the resolution of certain tax positions resulting in a positive impact in the prior year greater than the current year. Excluding the impact of special items and resolved tax positions, the effective income tax rate from continuing operations increased to 27.4% for the year-to-date period of fiscal 2011 compared to 27.1% the same period of prior year primarily due to an increase in earnings.

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### **LIQUIDITY AND CAPITAL RESOURCES**

#### *Cash Flows*

##### *Cash Flow from Operating Activities – Continuing Operations*

During the first three quarters of fiscal 2011, net cash flow provided by operating activities of continuing operations was \$188.2 million compared to \$222.6 million in the prior year. The decrease was driven by significant changes in working capital during the fiscal year. The settlement of liabilities associated with the On The Border brand and cash paid for taxes in the current year negatively impacted operating cash flow in comparison to the prior year. Cash paid for taxes in the prior year was positively impacted by the recognition of losses related to the Macaroni Grill divestiture and changes in the treatment of certain expenses.

Working capital decreased to a deficit of \$151.2 million at March 30, 2011 from a surplus of \$51.2 million at June 30, 2010 primarily due to purchases of treasury stock and quarterly dividend payments in the first nine months of fiscal 2011, partially offset by the timing of income tax and operational payments.

##### *Cash Flow from Investing Activities – Continuing Operations*

	<u>Thirty-Nine Week Periods Ended</u>	
	<u>March 30,</u> <u>2011</u>	<u>March 24,</u> <u>2010</u>
Net cash (used in) provided by investing activities (in thousands):		
Payments for property and equipment	\$ (48,892)	\$ (31,602)
Proceeds from sale of assets	8,696	19,568
Investments in equity method investees	(1,921)	—
Decrease in restricted cash	—	29,749
	<u>\$ (42,117)</u>	<u>\$ 17,715</u>

Net cash used in investing activities of continuing operations for the first nine months of fiscal 2011 increased to approximately \$42.1 million compared to \$17.7 million provided by investing activities in the prior year. Capital expenditures increased to \$48.9 million for the first nine months of fiscal 2011 compared to \$31.6 million for the same period of fiscal 2010 driven primarily by increases in asset replacements. Capital spending also includes investments in information technology infrastructure and ongoing remodel investments. We estimate that our capital expenditures during fiscal 2011 will be approximately \$80 million and will be funded entirely by cash from operations.

During the first nine months of fiscal 2010, we sold 21 Chili's restaurants to a franchisee for \$19.0 million. We also 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.

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### Cash Flow from Financing Activities – Continuing Operations

	Thirty-	
	Nine Week Periods Ended	
	March 30, 2011	March 24, 2010
Net cash used in financing activities (in thousands):		
Purchases of treasury stock	\$(358,983)	\$ (2,852)
Payments of dividends	(40,996)	(34,426)
Proceeds from issuances of treasury stock	26,851	1,111
Payments on long-term debt	(10,846)	(140,792)
Other	243	131
	<u>\$(383,731)</u>	<u>\$(176,828)</u>

Net cash used in financing activities of continuing operations for the first nine months of fiscal 2011 increased to approximately \$383.7 million compared to \$176.8 million in the prior year primarily due to higher purchases of treasury stock and dividend payments, partially offset by lower debt payments in the current year.

Pursuant to our stock repurchase plan, we repurchased approximately 4.5 million shares of our common stock for \$107.1 million during the third quarter of fiscal 2011 and a total of 18.0 million shares for approximately \$357.0 million year-to-date. The share repurchases were funded using proceeds from the On The Border divestiture in June 2010 as well as cash flow from operations.

We paid dividends of \$41.0 million to common stock shareholders in the first nine months of fiscal 2011 compared to \$34.4 million in dividends paid in same period of fiscal 2010. Our Board of Directors approved a 27 percent increase in the quarterly dividend from \$0.11 to \$0.14 per share effective with the first quarter 2011 payment. Additionally, we declared a quarterly dividend in February 2011 which was paid on March 31, 2011. We will continue to target a 40 percent dividend payout ratio to provide additional return to shareholders. We received \$26.9 million of proceeds from issuances of treasury stock related to stock option exercises in the first nine months of fiscal 2011.

During the third quarter, we paid our required quarterly installment of \$5.0 million on our five-year term loan agreement bringing the outstanding balance to \$190.0 million as of March 30, 2011. The term loan bears interest at LIBOR plus an applicable margin, which is a function of our credit rating at such time, but is subject to a maximum of LIBOR plus 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% (3.00% as of March 30, 2011).

As of March 30, 2011, we have an undrawn \$200 million revolving credit facility, which expires in June 2015. The revolving credit facility 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%. Based on our current credit rating, the revolving credit facility carries an interest rate of LIBOR plus 2.75% (3.00% as of March 30, 2011). We are in compliance with all financial debt covenants.

Standard and Poor's ("S&P") had reaffirmed our debt rating of BBB- (investment grade) with a stable outlook in fiscal 2010. In December 2010, 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.

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In November 2010, our Board of Directors authorized a \$325 million increase to our existing share repurchase program, bringing the total \$2,635.0 million. As of March 30, 2011, approximately \$258 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. Subsequent to the end of the quarter, we repurchased approximately 1.1 million shares for \$26.0 million. We intend to repurchase additional shares within our authorization 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 Outlook

We believe that our various sources of capital, including future 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.

### **RECENT ACCOUNTING PRONOUNCEMENTS**

We reviewed all significant newly issued accounting pronouncements and concluded that they either are not applicable to our operations or that no material effect is expected on our financial statements as a result of future adoption.

### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

### **Item 4. 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 report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective.

There were no changes in our internal control over financial reporting during our third quarter ended March 30, 2011, that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

### **FORWARD-LOOKING STATEMENTS**

We wish to caution you that our business and operations are subject to a number of risks and uncertainties. We have identified certain factors in Part I, Item IA "Risk Factors" in our Annual Report on Form 10-K for the year ended June 30, 2010 and below in Part II, Item 1A "Risk Factors" in this report on Form 10-Q, 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. We further caution that it is not possible to see all such factors, and you should not consider the identified factors as a complete list of all risks and uncertainties.

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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.

The risks related to our business include:

- The effect of competition on our operations and financial results.
- The impact of the global economic crisis on our business and financial results in fiscal 2011 and the material affect of a prolonged recession on our future results.
- The impact of the current economic crisis 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.
- The risk inflation may increase our operating expenses.
- The effect of potential changes in governmental regulation on our ability to maintain our existing and future operations and to open new restaurants.
- Increases in energy costs and the impact on our profitability.
- Increased costs or reduced revenues from shortages or interruptions in the availability and delivery of food and other supplies.
- Our ability to consummate successful mergers, acquisitions, divestitures and other strategic transactions that are important to our future growth and profitability.
- The inability to meet our business strategy plan and the impact on our profitability in the future.
- The importance of the success of our franchisees to our future growth.
- The general decrease in sales volumes during winter months.
- Unfavorable publicity relating to one or more of our restaurants in a particular brand tainting public perception of the brand.
- Dependence on information technology and any material failure of that technology impairing our ability to efficiently operate our business.
- Outsourcing of certain business processes to third-party vendors that subject us to risk, including disruptions in business and increased costs.
- The impact of disruptions in the financial markets on the availability and cost of credit and consumer spending patterns.

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- Declines in the market price of our common stock or changes in other circumstances that may indicate an impairment of goodwill possibly adversely affecting our financial position and results of operations.
- Changes to estimates related to our property and equipment, or operating results that are lower than our current estimates at certain restaurant locations, possibly causing us to incur impairment charges on certain long-lived assets.
- Failure to protect the integrity and security of individually identifiable data of our guests and teammates possibly exposing us to litigation and damage our reputation.
- Identification of material weakness in internal control may adversely affect our financial results.
- Other risk factors may adversely affect our financial performance, including, pricing, consumer spending and consumer confidence, changes in economic conditions and financial and credit markets, credit availability, increased costs of food commodities, increased fuel costs and availability for our team members, customers and suppliers, health epidemics or pandemics or the prospects of these events, 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 and other acts of God.

## **PART II. OTHER INFORMATION**

### **Item 1. LEGAL PROCEEDINGS**

Information regarding legal proceedings is incorporated by reference from Note 8 to our consolidated financial statements set forth in Part I of this report.

### **Item 1A. RISK FACTORS**

There has been no material change in the risk factors set forth in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended June 30, 2010.

The above risks and other risks described in this report and our other filings with the SEC could have a material impact on our business, financial condition or results of operations. It is not possible to predict or identify all risk factors. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our operations. Therefore, the risks identified are not intended to be a complete discussion of all potential risks or uncertainties.

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

Shares repurchased during the third quarter of fiscal 2011 are as follows (in thousands, except share and per share amounts):

	<u>Total Number of Shares Purchased (a)</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Program</u>	<u>Approximate Dollar Value that May Yet be Purchased Under the Program</u>
December 30, 2010 through February 2, 2011	853,161	\$23.74	852,362	\$ 344,627
February 3, 2011 through March 2, 2011	1,230,526	\$23.82	1,230,526	\$ 315,293
March 3, 2011 through March 30, 2011	2,377,376	\$24.19	2,376,469	\$ 257,757
	<u>4,461,063</u>	\$24.00	<u>4,459,357</u>	

- (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 third quarter of fiscal 2011, 1,706 shares were tendered by team members at an average price of \$22.83.

### Item 6. EXHIBITS

- 10(a) By-Laws of Registrant
- 31(a) Certification by Douglas H. Brooks, Chairman of the Board, President and Chief Executive Officer of the Registrant, pursuant to 17 CFR 240.13a – 14(a) or 17 CFR 240.15d – 14(a).
- 31(b) Certification by Guy J. Constant, Executive Vice President and Chief Financial Officer of the Registrant, pursuant to 17 CFR 240.13a – 14(a) or 17 CFR 240.15d – 14(a).
- 32(a) Certification by Douglas H. Brooks, Chairman of the Board, President and Chief Executive Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32(b) Certification by Guy J. Constant, Executive Vice President and Chief Financial Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, we have duly caused this report to be signed on our behalf by the undersigned thereunto duly authorized.

BRINKER INTERNATIONAL, INC.

Date: May 6, 2011

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

Date: May 6, 2011

By: \_\_\_\_\_  
/s/ Guy J. Constant  
Guy J. Constant,  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

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**BYLAWS**  
**OF**  
**BRINKER INTERNATIONAL, INC.**  
**(A DELAWARE CORPORATION)**

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– April 2011 –

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ARTICLE I

OFFICES

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

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

ARTICLE II

MEETING OF SHAREHOLDERS

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

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

Section 3. Notice of Annual Meetings. Written notice of the annual meeting, stating the place, date and hour of the meeting, and the means of remote communications, if any, by which shareholders and proxy holders may be deemed to be present in person and vote at such meeting shall be given to each shareholder of record entitled to vote at such meeting not less than ten or more than 60 days before the date of the meeting.

Section 4. Special Meetings. Special meetings of the shareholders for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called at any time by order of the Board of Directors and shall be called by the Chairman of the Board, the President or the Secretary at the request in

writing of a majority of the Board of Directors. Such requests shall state the purpose or purposes of the proposed special meeting. Business transacted at any special meeting of shareholders shall be limited to the purposes stated in the notice.

Section 5. Notice of Special Meetings. Written notice of a special meeting, stating the place, date and hour of the meeting, the means of remote communications, if any, by which shareholders and proxy holders may be deemed to be present in person and vote at such meeting, and the purpose or purposes for which the meeting is called shall be given to each shareholder of record entitled to vote at such meeting not less than ten nor more than 60 days before the date of the meeting.

Section 6. Adjournment. Any meeting of stockholders, annual or special, may be adjourned from time to time, to reconvene at the same or some other place and notice need not be given of any such adjourned meeting if the time, place and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 7. Quorum. Except as otherwise provided by statute or the Certificate of Incorporation, the holders of stock having a majority of the voting power of the stock entitled to be voted thereat, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the shareholders. If, however, such quorum shall not be present or represented at any meeting of the shareholders, the shareholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting, in accordance with Section 6 of this Article II, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 8. Order of Business. The Chairman of the Board, or such other officer of the Corporation designated by a majority of the Board of Directors, will call meetings of the shareholders to order and will act as presiding officer thereof. Unless otherwise determined by the Board of Directors prior to the meeting, the presiding officer of the meeting of the shareholders will also determine the order of business and have the authority in his or her sole discretion to regulate the conduct of any such meeting, including without limitation by (i) imposing restrictions on the persons (other than shareholders of the Corporation or their duly appointed proxies) who may attend any such shareholders' meeting, (ii) ascertaining whether any shareholder or his proxy may be excluded from any meeting of the shareholders based upon any determination by the presiding officer, in his or her sole discretion, that any such person has unduly disrupted or is likely to disrupt the proceedings thereat, and (iii) determining the circumstances in which any person may make a statement or ask questions at any meeting of the shareholders.

At an annual meeting of the shareholders, only such business will be conducted or considered as is properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by the presiding officer or by or at the direction of a majority of the Board of Directors, or (iii) otherwise properly requested to be brought before the meeting by a shareholder of the Corporation in accordance with the immediately succeeding sentence. For business to be properly requested by a shareholder to be brought before an annual meeting, the shareholder must (i) be a shareholder of record at the time of the giving of the notice of such annual meeting by or at the direction of the Board of Directors, (ii) be entitled to vote at such meeting, and (iii) have given timely written notice thereof to the Secretary in accordance with Article II, Section 8A of these Bylaws.

Nominations of persons for election as Directors of the Corporation may be made at an annual meeting of shareholders only by or at the direction of the Board of Directors. Any shareholder (i) who is a shareholder of record at the time of the giving of the notice of an annual meeting of the shareholders by or at the direction of the Board of Directors, (ii) who is entitled to vote for the election of directors at such meeting and (iii) who has given timely written notice thereof to the Secretary in accordance with Article II, Section 8A of these Bylaws, may recommend one or more persons to be considered as a potential nominee or nominees for election as a Director or Directors of the Corporation at an annual meeting of the shareholders. Only persons who are nominated in accordance with this Article II, Section 8 will be eligible for election at a meeting of shareholders as Directors of the Corporation.

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

The determination of whether any business sought to be brought before any annual or special meeting of the shareholders is properly brought before such meeting in accordance with this Article II, Section 8, and whether any nomination of a person for election as a Director of the Corporation at any annual meeting of the shareholders was properly made in accordance with this Article II, Section 8, will be made by the presiding officer of such meeting. If the presiding officer determines that any business is not properly brought before such meeting, or any nomination was not properly made, he or she will so declare to the meeting and any such business will not be conducted or considered and any such nomination will be disregarded.



Section 8A. Advance Notice of Shareholder Proposals and Director Nominations.

To be timely for purposes of Article II, Section 8 of these Bylaws, a shareholder's notice must be addressed to the Secretary and delivered or mailed to and received at the principal executive offices of the Corporation not less than one hundred twenty (120) calendar days prior to the anniversary date of the date (as specified in the Corporation's proxy materials for its immediately preceding annual meeting of shareholders) on which the Corporation first mailed its proxy materials for its immediately preceding annual meeting of shareholders; provided, however, that in the event the annual meeting is called for a date that is not within thirty (30) calendar days of the anniversary date of the date on which the immediately preceding annual meeting of shareholders was called, to be timely, notice by the shareholder must be so received not later than the close of business on the tenth (10th) calendar day following the day on which public announcement of the date of the annual meeting is first made. In no event will the public announcement of an adjournment of an annual meeting of shareholders commence a new time period for the giving of a shareholder's notice as provided above.

In the case of a request by a shareholder for business to be brought before any annual meeting of shareholders, a shareholder's notice to the Secretary must set forth as to each matter the shareholder proposes to bring before the annual meeting (i) a description in reasonable detail of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, including the text of the proposal to be presented and the text of any resolutions to be proposed for consideration by the shareholders (ii) the name and address, as they appear on the Corporation's books, of the shareholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made, (iii) the class and number of shares of the Corporation that are owned beneficially and of record by the shareholder proposing such business and by the beneficial owner, if any, on whose behalf the proposal is made, (iv) whether and the extent to which any hedging, derivative or other transaction or instrument is in place or has been entered into prior to the date of delivery or receipt of such stockholder's notice, by or for the benefit of the stockholder or beneficial owner with respect to the Corporation or its subsidiaries or any of their respective securities, debt instruments or credit ratings, including any transaction or instrument the intent or effect of which is to give rise to gain or loss as a result of changes in a trading price or credit rating of the Corporation and (v) any material interest of such shareholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made in such business.

In the case of a recommendation by a shareholder of a person to be considered as a potential nominee for election as a director of the Corporation at any annual meeting of shareholders, a shareholder notice to the Secretary must set forth (i) the shareholder's

intent to nominate one or more persons to be a potential nominee or nominees for election as a director of the Corporation, the name of each such nominee proposed by the shareholder giving the notice, and the reason for making such nomination at the annual meeting, (ii) the name and address, as they appear on the Corporation's books, of the shareholder proposing such nomination and the beneficial owner, if any, on whose behalf the nomination is proposed, (iii) the class and number of shares of the Corporation that are owned beneficially and of record by the shareholder proposing such nomination and by the beneficial owner, if any, on whose behalf the nomination is proposed, (iv) whether and the extent to which any hedging, derivative or other transaction or instrument is in place or has been entered into prior to the date of delivery or receipt of such stockholder's notice, by or for the benefit of the stockholder or beneficial owner with respect to Corporation or its subsidiaries or any of their respective securities, debt instruments or credit ratings, including any transaction or instrument the intent or effect of which is to give rise to gain or loss as a result of changes in a trading price or credit rating of the Corporation, (v) any material interest of such shareholder proposing such nomination and the beneficial owner, if any, on whose behalf the proposal is made, (vi) a description of all arrangements or understandings between or among any of (A) the shareholder giving the notice, (B) each nominee, and (C) any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder giving the notice, (vii) such other information regarding each nominee proposed by the shareholder giving the notice as would be required to be included in a proxy statement filed in accordance with the proxy rules of the Securities and Exchange Commission had the nominee been nominated, or intended to be nominated, by the Board, and (viii) the signed consent of each nominee proposed by the shareholder giving the notice to serve as a director of the Company if so elected. All recommendations will be presented to the Board of Directors, or the appropriate committee of the Board of Directors, for consideration.

The Corporation may also require any proposed nominee to furnish such other information, including completion of the Corporation's directors questionnaire, as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation, or whether such proposed nominee would be considered "independent" as a director or as a member of the audit or any other committee of the Board of Directors under the various rules and standards applicable to the Corporation.

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

For purposes of this Article II, Section 8A, "public announcement" means disclosure in a press release reported by the Dow Jones News Service, Associated Press,

or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or furnished to shareholders.

Section 9. Voting. Except as otherwise provided in the Certificate of Incorporation, each shareholder shall, at each meeting of the shareholders, be entitled to one vote in person or by proxy for each share of stock of the Corporation held by him and registered in his name on the books of the Corporation on the date fixed pursuant to the provisions of Section 5 of Article VII of these Bylaws as the record date for the determination of shareholders who shall be entitled to notice of and to vote at such meeting. Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held directly or indirectly by the Corporation, shall not be entitled to vote. Any vote of stock of the Corporation may be given at any meeting of the shareholders by the shareholder entitled thereto, in person or by his proxy appointed by an instrument in writing subscribed by such shareholder or by his attorney thereunto duly authorized and delivered to the Secretary of the Corporation or to the secretary of the meeting; provided, however, that no proxy shall be voted or acted upon after three years from its date, unless said proxy shall provide for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power, regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the corporation generally. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary of the Corporation. At all meetings of the shareholders, all matters, except where other provision is made by law, the Certificate of Incorporation or these Bylaws, shall be decided by the vote of a majority of the votes cast by the shareholders present in person or by proxy and entitled to vote thereat, a quorum being present. Unless demanded by a shareholder of the Corporation present in person or by proxy at any meeting of the shareholders and entitled to vote thereat, or so directed by the chairman of the meeting, the vote thereat on any question other than the election or removal of directors need not be by written ballot. Upon a demand of any such shareholder for a vote by written ballot on any question or at the direction of such chairman that a vote by written ballot be taken on any question, such vote shall be taken by written ballot. On a vote by written ballot, each ballot shall be signed by the shareholder voting, or by his proxy, if there be such a proxy, and shall state the number of shares voted.

Section 10. List of Shareholders. It shall be the duty of the Secretary or other officer of the Corporation who shall have charge of its stock ledger, either directly or through another officer of the Corporation designated by him or through a transfer agent appointed by the Board of Directors, to prepare and make, at least ten days before every meeting of the shareholders, a complete list of the shareholders entitled to vote thereat, arranged in alphabetical order, and showing the address of each shareholder and the number of shares registered in the name of each shareholder. Such list shall be open to

the examination of any shareholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to said meeting, either at a place within the city where said meeting is to be held, which place shall be specified in the notice of said meeting, or, if not so specified, at the place where said meeting is to be held. The list shall also be produced and kept at the time and place of said meeting during the whole time thereof and may be inspected by any shareholder of record who shall be present thereat. The stock ledger shall be the only evidence as to who are the shareholders entitled to examine the stock ledger, such list or the books of the Corporation, or to vote in person or by proxy at any meeting of shareholders.

Section 11. Inspectors of Votes. In advance of any meeting of the shareholders, the Corporation shall appoint up to two Inspectors of Votes to act thereat. If no Inspector of Votes is able to act at a meeting of the shareholders, the chairman of the meeting shall appoint up to two Inspectors of Votes to act at the meeting. Each Inspector of Votes, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. Such Inspectors of Votes shall take charge of the ballots, if any, at such meeting and after the balloting thereat on any question shall count the ballots cast thereon and shall make a report in writing to the secretary of such meeting of the results thereof. An Inspector of Votes need not be a shareholder of the Corporation, and any officer of the Corporation may be an Inspector of Votes on any question other than a vote for or against his election to any position with the Corporation or on any other question in which he may be directly interested.

Section 12. Action Without a Meeting. Any action required to be taken at any annual or special meeting of shareholders of the Corporation, or any action which may be taken at any annual or special meeting of shareholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes (determined as of the record date of such consent) that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereat were present and voted. The record date of a written consent shall be determined by the Board of Directors and shall be not later than 10 days after the date on which a shareholder gives notice to the Board of Directors of (i) the proposed action to be taken by consent and (ii) the date on which the first written consent to take such action has been executed. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those shareholders owning shares as of the record date who have not consented in writing.

ARTICLE III

BOARD OF DIRECTORS

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

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

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

Section 4. Removal of Directors. Any director may be removed, either with or without cause, at any time, by the affirmative vote of a majority in voting interest of the shareholders of record of the Corporation entitled to vote, given at any annual or special meeting of the shareholders called for that purpose. The vacancy in the Board of Directors caused by any such removal shall be filled by the Board of Directors as provided in Section 5 of this Article III.

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

## MEETINGS OF THE BOARD OF DIRECTORS

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

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

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

Section 9. Special Meetings; Notice. Special meetings of the Board of Directors may be called by the Chairman of the Board, President or Secretary on 24 hours notice to each director, either personally or by telephone or by mail, telegraph, telex, cable, wireless or other form of recorded communication; special meetings shall be called by the Chairman of the Board, President or Secretary in like manner and on like notice on the written request of two directors. Notice of any such meeting need not be given to any director, however, if waived by him in writing or by telegraph, telex, cable, wireless or other form of recorded communication, or if he shall be present at such meeting.

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

Section 11. Remuneration. Unless otherwise expressly provided by resolution adopted by the Board of Directors, no director shall, as such, receive any stated remuneration for his services; but the Board of Directors may at any time and from time to time by resolution provide that a specified sum shall be paid to any director of the Corporation, either as his annual remuneration as such director or member of any committee of the Board of Directors or as remuneration for his attendance at each meeting of the Board of Directors or any such committee. The Board of Directors may also likewise provide that the Corporation shall reimburse each director for any expenses paid by him on account of his attendance at any meeting. Nothing in this Section 11 shall be construed to preclude any director from serving the Corporation in any other capacity and receiving remuneration thereof.

## COMMITTEES OF DIRECTORS

Section 12. Executive Committee; How Constituted and Powers. The Board of Directors may, in its discretion, by resolution passed by a majority of the whole Board of Directors, designate an Executive Committee consisting of one or more of the directors of the Corporation. Subject to the provisions of Section 141 of the General Corporation Law of the State of Delaware, the Certificate of Incorporation, and these Bylaws, the Executive Committee shall have and may exercise, when the Board of Directors is not in session, all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and shall have the power to authorize the seal of the Corporation to be affixed to all papers which may require it; but the Executive Committee shall not have the power to amend the Certificate of Incorporation (except that the Executive Committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors as provided in the Delaware General Corporation Law, fix the designations and any of the preferences or rights of such shares relating to dividends, redemptions, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares or any series), to fill vacancies in the Board of Directors or the Executive Committee, to adopt an agreement of merger or consolidation under Section 251, 252, 254, 255, 256, 257, 258, 263 or 264 of the Delaware General Corporation Law, to recommend to the shareholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, to recommend to the shareholders a dissolution of the Corporation or a revocation of a dissolution, or to amend the Bylaws of the Corporation. Except as otherwise provided herein or in the Corporation's Certificate of Incorporation, the Executive Committee shall have the power and authority to authorize the issuance of common stock and grant and authorize options and other rights with respect to such issuance, to declare a dividend, to adopt a certificate of ownership and merger pursuant to Section 253 of the Delaware General Corporation Law, and to fill vacancies in any other committee of directors elected or approved by officers of the Corporation. The Board of Directors shall have the power at any time, by resolution passed by a majority of the whole Board of Directors, to change the membership of the Executive Committee, to fill all vacancies in it, or to dissolve it, with or without cause.

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

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

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

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



Directors shall otherwise provide. Special meetings of the committees shall be held whenever called by the Chairman of the applicable committee or a majority of the members of such committee then in office. Notice of each special meeting of the any such committee shall be given by mail, telegraph, telex, cable, wireless or other form of recorded communication or be delivered personally or by telephone to each member of such committee not later than the day before the day on which such meeting is to be held. Notice of any such meeting need not be given to any member of such committee, however, if waived by him in writing or by telegraph, telex, cable, wireless or other form of recorded communication, or if he shall be present at such meeting; and any meeting of such committee shall be a legal meeting without any notice thereof having been given, if all the members of such committee shall be present thereat. The Board of Directors shall have power to change the members of any such committee at any time to fill vacancies, and to discharge any such committee, either with or without cause, at any time.

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

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

#### GENERAL

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

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

ARTICLE IV

NOTICES

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

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

ARTICLE V

OFFICERS

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

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

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

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

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

Section 6. Chief Executive Officer. The Chief Executive Officer shall have general supervision of the affairs of the Corporation and shall have general and active control of all its business. He shall preside, in the absence of the Chairman of the Board, at all meetings of shareholders. He shall see that all orders and resolutions of the Board of Directors and the shareholders are carried into effect. He shall have general authority to execute bonds, deeds, and contracts in the name of the Corporation and affix the corporation seal thereto; to sign stock certificates; to cause the employment or appointment of such officers, employees, and agents of the Corporation as the proper conduct of operations may require, and to fix their compensation, subject to the provisions of these Bylaws; to remove or suspend any employee or agent who was employed or appointed under his authority or under authority of an officer subordinate to him; to suspend for cause, pending final action by the authority that elected or appointed him, any officer subordinate to him; in coordination with the other officers and directors of the Corporation, to develop the Corporation's basic strategic and long-range plans, including marketing programs, expansion plans and financial structure; and, in general, to exercise all of the powers of authority usually appertaining to the chief executive officer of a corporation, except as otherwise provided in these Bylaws.

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

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

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

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

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

Section 12. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of the shareholders and record all proceedings of such meetings in a book to be kept for that purpose and shall perform like duties for the Executive Committee or other standing committees when required. He shall give, or cause to be given, notice of all meetings of the shareholders and special meetings of the Board of Directors and shall perform such other duties as may be prescribed by the Board of Directors or the Chief Executive Officer, under whose supervision he shall be. He shall have custody of the corporate seal of the Corporation and he, or an Assistant Secretary, shall have authority to affix the same to any instrument requiring it, and when so affixed, it may be attested by his signature or by the signature of such Assistant

Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature. The Secretary shall keep and account for all books, documents, papers, and records of the Corporation except those for which some other officer or agent is properly accountable. He shall have authority to sign stock certificates and shall generally perform all of the duties usually appertaining to the office of the secretary of a corporation.

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

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

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

ARTICLE VI

INDEMNIFICATION

Section 1. Actions Other Than by or in the Right of the Corporation. The Corporation shall indemnify any person, to the fullest extent permitted by law, who was or is a party or is threatened to be made a party to any threatened, pending, or contemplated action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than as provided in Article VI, Section 2 with respect to an action by or in the right of the Corporation), by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise (all of such persons being hereafter referred to in this Article as a "Corporate Functionary"), against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Corporate Functionary did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal action or proceeding, that he had reasonable cause to believe that his conduct was unlawful.

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

Section 3. Determination of Right to Indemnification. Any indemnification under Sections 1 or 2 of this Article VI (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the Corporate Functionary is proper in the circumstances because he has met the applicable standard of conduct set forth in Sections 1 or 2 of this Article VI.

Such determination shall be made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the shareholders.

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

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

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

Section 7. Insurance. Upon resolution passed by the Board of Directors, the Corporation may purchase and maintain insurance on behalf of any past or present Corporate Functionary against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article VI.

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

ARTICLE VII

CERTIFICATES OF STOCK

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

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

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



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

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

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

## ARTICLE VIII

### GENERAL PROVISIONS

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

Section 2. Reserves. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, thinks proper as a reserve

or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the Board of Directors shall think conducive to the interest of the Corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

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

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

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

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

## ARTICLE IX

### AMENDMENTS

Section 1. Amendments. These Bylaws may be altered, amended or repealed or new Bylaws may be adopted by the shareholders or by the Board of Directors at any regular meeting of the shareholders or the Board of Directors or at any special meeting of the shareholders or the Board of Directors if notice of such alteration, amendment, repeal or adoption of new Bylaws be contained in the notice of such special meeting.

## CERTIFICATIONS

I, Douglas H. Brooks, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Brinker International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - A. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - B. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally acceptable accounting principles;
  - C. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - D. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

- A. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- B. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2011

/s/ Douglas H. Brooks

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

**CERTIFICATIONS**

I, Guy J. Constant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Brinker International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - A. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - B. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally acceptable accounting principles;
  - C. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - D. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

- A. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- B. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2011

/s/ Guy J. Constant

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Guy J. Constant,  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

## CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the "Company"), hereby certifies that the Company's quarterly report on Form 10-Q for the quarter ended March 30, 2011 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2011

By: /s/ Douglas H. Brooks

Douglas H. Brooks,

Chairman of the Board,

President and Chief Executive Officer

(Principal Executive Officer)

## CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the "Company"), hereby certifies that the Company's quarterly report on Form 10-Q for the quarter ended March 30, 2011 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2011

By: /s/ Guy J. Constant  
Guy J. Constant,  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)