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 December 28, 2005

Commission File Number 1-10275

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

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

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

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

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

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

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

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

Class	Outstanding at February 1, 2006
Common Stock, $0.10 par value	85,714,210 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)

	December 28, 2005 (Unaudited)	June 29, 2005
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 59,896	$ 41,859
Accounts receivable	69,974	43,592
Inventories	38,330	48,647
Prepaid expenses and other	76,407	77,069
Deferred income taxes	24,807	21,956
Current assets of discontinued operations	80,875	79,842
Total current assets	350,289	312,965
Property and Equipment, at Cost:		
Land	280,784	284,885
Buildings and leasehold improvements	1,619,396	1,507,587
Furniture and equipment	708,125	697,352
Construction-in-progress	85,914	81,622
	2,694,219	2,571,446
Less accumulated depreciation and amortization	(972,554)	(924,980)
Net property and equipment	1,721,665	1,646,466
Other Assets:		
Goodwill	145,512	124,749
Other	47,379	71,944
Total other assets	192,891	196,693
Total assets	$ 2,264,845	$ 2,156,124
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current installments of long-term debt	$ 2,270	$ 1,805
Accounts payable	147,446	133,096
Accrued liabilities	339,983	261,924
Income taxes payable	51,062	22,739
Current liabilities of discontinued operations	15,798	10,400
Total current liabilities	556,559	429,964
Long-term debt, less current installments	489,686	406,505
Deferred income taxes	41,011	56,189
Other liabilities	139,733	163,184
Contingencies (Note 7)		
Shareholders' Equity:		
Common stock - 250,000,000 authorized shares; $0.10 par value; 117,499,541 shares issued and 85,816,070	11,750	11,750

shares outstanding at December 28, 2005, and 117,499,541 shares issued and 89,182,804 shares outstanding at June 29, 2005		
Additional paid-in capital	384,755	369,813
Accumulated other comprehensive income	734	700
Retained earnings	1,487,846	1,421,866
	1,885,085	1,804,129
Less:		
Treasury stock, at cost (31,683,471 shares at December 28, 2005 and 28,316,737 shares at June 29, 2005)	(847,229)	(703,847)
Total shareholders' equity	1,037,856	1,100,282
Total liabilities and shareholders' equity	$ 2,264,845	$ 2,156,124

See accompanying notes to consolidated financial statements.

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

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	December 28, 2005	December 29, 2004	December 28, 2005	December 29, 2004
Revenues	$ 1,009,083	$ 909,721	$ 1,984,979	$ 1,780,686
Operating Costs and Expenses:				
Cost of sales	287,305	259,791	562,463	502,970
Restaurant expenses	555,371	507,759	1,098,143	990,518
Depreciation and amortization	47,602	44,617	94,313	88,571
General and administrative	51,667	41,951	98,805	78,178
Restructure charges and other impairments	1,312	4,128	2,479	50,832
Total operating costs and expenses	943,257	858,246	1,856,203	1,711,069
Operating income	65,826	51,475	128,776	69,617
Interest expense	6,198	7,054	11,565	14,146
Other, net	(20)	1,093	(184)	1,535
Income before income tax (expense) benefit	59,648	43,328	117,395	53,936
Income tax (expense) benefit	(20,278)	(2,508)	(39,583)	2,560
Income from continuing operations	39,370	40,820	77,812	56,496
Income (loss) from discontinued operations, net of taxes	3,507	583	(3,181)	(1,184)
Net income	$ 42,877	$ 41,403	$ 74,631	$ 55,312
Basic net income per share:				
Income from continuing operations	$ 0.46	$ 0.47	$ 0.90	$ 0.64
Income (loss) from discontinued operations	$ 0.04	$ 0.00	$ (0.04)	$ (0.02)
Net income per share	$ 0.50	$ 0.47	$ 0.86	$ 0.62
Diluted net income per share:				
Income from continuing operations	$ 0.45	$ 0.44	$ 0.88	$ 0.60
Income (loss) from discontinued operations	$ 0.04	$ 0.00	$ (0.04)	$ (0.01)
Net income per share	$ 0.49	$ 0.44	$ 0.84	$ 0.59
Basic weighted average shares outstanding	85,980	87,505	86,909	88,633
Diluted weighted average shares outstanding	87,618	96,471	88,417	97,599

See accompanying notes to consolidated financial statements.

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

	Twenty-Six Week Periods Ended	
	December 28, 2005	December 29, 2004
Cash Flows from Operating Activities:		
Income from continuing operations	$ 77,812	$ 56,496
Adjustments to reconcile income from continuing operations to net cash provided by operating activities of continuing operations:		
Depreciation and amortization	94,313	88,571
Restructure charges and other impairments	2,479	50,832
Stock-based compensation	19,166	1,243
Deferred income taxes	(16,387)	(598)
Gain on sale of assets	(3,570)	(4,305)
Amortization of deferred costs	778	3,651
Gain on extinguishment of debt	—	(1,750)
Changes in assets and liabilities, excluding effects of dispositions:		
Receivables	(26,382)	(18,851)
Inventories	10,777	(5,396)
Prepaid expenses and other	3,935	(169)
Other assets	21,488	(2,300)
Current income taxes	27,591	(37,128)
Accounts payable	14,350	(2,190)
Accrued liabilities	76,889	45,764
Other liabilities	(21,895)	17,280
Net cash provided by operating activities of continuing operations	281,344	191,150
Cash Flows from Investing Activities:		
Payments for property and equipment	(164,227)	(159,118)
Payments for purchases of restaurants	(23,095)	—
Proceeds from sale of assets	11,745	25,332
Proceeds from sale of short-term investments	—	179,325
Net cash (used in) provided by investing activities of continuing operations	(175,577)	45,539
Cash Flows from Financing Activities:		
Purchases of treasury stock	(167,047)	(162,893)
Net borrowings on credit facilities	68,500	—
Proceeds from issuances of treasury stock	18,268	21,793
Payment for dividends	(8,585)	—
Payments of long-term debt	(782)	(24,413)
Excess tax benefits from stock-based compensation	732	2,167
Net cash used in financing activities of continuing operations	(88,914)	(163,346)
Net cash provided by (used in) discontinued operations	1,184	(676)
Net change in cash and cash equivalents	18,037	72,667
Cash and cash equivalents at beginning of period	41,859	47,079
Cash and cash equivalents at end of period	$ 59,896	$ 119,746

See accompanying notes to consolidated financial statements.

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

1. BASIS OF PRESENTATION

The consolidated financial statements of Brinker International, Inc. and its wholly-owned subsidiaries (collectively, the “Company”) as of December 28, 2005 and June 29, 2005 and for the thirteen week and twenty-six week periods ended December 28, 2005 and December 29, 2004, have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The Company owns, operates, or franchises various restaurant brands under the names of Chili’s Grill & Bar (“Chili’s”), Romano’s Macaroni Grill (“Macaroni Grill”), Maggiano’s Little Italy (“Maggiano’s”), On The Border Mexican Grill & Cantina (“On The Border”), and Corner Bakery Cafe (“Corner Bakery”). In September 2005, the Company entered into an agreement to sell Corner Bakery. As a result, Corner Bakery is presented as discontinued operations in the accompanying consolidated financial statements.

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

Certain prior year amounts in the accompanying consolidated financial statements have been reclassified to conform with fiscal 2006 classifications. These reclassifications have no effect on the Company's net income or financial position as previously reported.

2. STOCK-BASED COMPENSATION

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

Effective June 30, 2005, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised 2004), "Share-Based Payment," ("SFAS 123R"), which requires the measurement and recognition of compensation cost at fair value for all share-based payments, including stock options. Stock-based compensation for the first two quarters of fiscal 2006 includes compensation expense, recognized over the applicable vesting periods, for new share-based awards and for share-based awards granted prior to, but not yet vested, as of June 29, 2005. Stock-based compensation totaled approximately $11.4 million and $632,000 for the second quarter of fiscal 2006 and 2005, respectively, and $19.2 million and $1.2 million for year-to-date fiscal 2006 and 2005, respectively. The total income tax benefit related to stock-based compensation was approximately $2.5 million and $221,000 during the second quarter of fiscal 2006 and 2005, respectively, and $4.4 million and $435,000 for year-to-date fiscal 2006 and 2005, respectively.

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

	Thirteen Week Period Ended December 29, 2004	Twenty-Six Week Period Ended December 29, 2004
Net income - as reported	$ 41,403	$ 55,312
Add: Reported stock-based compensation expense, net of taxes	411	808
Deduct: Fair value based compensation expense, net of taxes (1)	(5,105)	(9,831)
Net income - pro-forma (1)	$ 36,709	$ 46,289
Earnings per share:		
Basic - as reported	$ 0.47	$ 0.62
Basic - pro-forma (1)	$ 0.42	$ 0.52
Diluted - as reported	$ 0.44	$ 0.59
Diluted - pro-forma (1)	$ 0.39	$ 0.50

(1) If pro-forma expense had been derived using the non-substantive vesting period approach, total stock-based compensation for the second quarter and year-to-date of fiscal 2005 would have been $6.8 million, net of tax, and $10.3 million, net of tax, respectively. Pro-forma net income for the second quarter and year-to-date of fiscal 2005 would have been $35.0 million and $45.8 million, respectively. Additionally, basic pro-forma earnings per share for the second quarter and year-to-date of fiscal 2005 would have been $0.40 and $0.52, respectively. Diluted pro-forma earnings per share for the second quarter and year-to-date of fiscal 2005 would have been $0.38 and $0.50, respectively.

(a) Stock Options

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

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Options outstanding at June 29, 2005	9,177	$ 29.93		
Granted	455	38.62		
Exercised	(610)	25.90		
Forfeited	(343)	32.65		
Options outstanding at December 28, 2005	8,679	$ 30.56	7.22	$ 73,335
Options exercisable at December 28, 2005	4,608	$ 27.46	5.99	$ 53,231

The intrinsic value of options exercised totaled approximately $6.0 million and $7.2 million during the second quarter of fiscal 2006 and 2005, respectively, and $8.0 million and $14.4 million during the first two quarters of fiscal 2006 and 2005, respectively. The weighted average fair values of stock option grants were $11.52 and $11.42 for the second quarter of fiscal 2006 and 2005, respectively, and $11.51 and $11.42 for year-to-date fiscal 2006 and 2005, respectively.

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

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	December 28, 2005	December 29, 2004	December 28, 2005	December 29, 2004
Expected volatility	28.9%	31.2%	28.9%	31.2%
Risk-free interest rate	4.2%	3.4%	4.2%	3.4%
Expected lives	5 years	5 years	5 years	5 years
Dividend yield	1.1%	0.0%	1.1%	0.0%

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

(b) Restricted Share Awards

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

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

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

	Number of Restricted Share Awards	Weighted Average Fair Value Per Award
Restricted share awards outstanding at June 29, 2005	137	$ 34.60
Granted	961	35.04
Vested	(74)	34.50
Forfeited	(28)	35.17
Restricted share awards outstanding at December 28, 2005	996	$ 35.02

At December 28, 2005, unrecognized compensation expense related to restricted share awards totaled approximately $24.9 million and will be recognized over a weighted average period of 3.3 years.

3. EARNINGS PER SHARE

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the calculation of diluted net income per share, the basic weighted average number of shares is increased by the dilutive effect of stock options and restricted share awards determined using the treasury stock method and convertible debt. The Company had approximately 2.3 million and 2.6 million stock options outstanding at December 28, 2005 and December 29, 2004, respectively, that were not included in the dilutive earnings per share calculation because the effect would have been antidilutive. The components of basic and diluted earnings per share are as follows:

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	December 28, 2005	December 29, 2004	December 28, 2005	December 29, 2004
Income from continuing operations (a)	$ 39,370	$ 40,820	$ 77,812	$ 56,496
Adjustment for interest on convertible debt, net of tax	—	1,182	—	2,325
Income from continuing operations, as adjusted (b)	$ 39,370	$ 42,002	$ 77,812	$ 58,821
Basic weighted average shares outstanding (c)	85,980	87,505	86,909	88,633
Dilutive effect of stock options	1,638	1,166	1,508	1,166
Dilutive effect of convertible debt	—	7,800	—	7,800

Diluted weighted average shares outstanding (d)		87,618		96,471		88,417		97,599
Basic earnings per share from continuing operations (a)/(c)	$	0.46	$	0.47	$	0.90	$	0.64
Diluted earnings per share from continuing operations (b)/(d)	$	0.45	$	0.44	$	0.88	$	0.60

4. DISPOSITION OF CORNER BAKERY

In September 2005, the Company entered into an agreement to sell Corner Bakery. The decision to sell the brand was a result of the Company's continued focus on maximizing returns on investment. As of December 28, 2005, the net assets to be sold totaled approximately $65.1 million and consisted primarily of property and equipment of $63.7 million, as well as liabilities of $7.4 million primarily associated with severance and selling costs that will be paid by the Company in connection with the disposition. The sale was completed in February 2006. The Company has reported the results of operations of Corner Bakery as discontinued operations which consist of the following:

	Thirteen Week Periods Ended				Twenty-Six Week Periods Ended			
	December 28, 2005		December 29, 2004		December 28, 2005		December 29, 2004	
Revenues	$	47,565	$	41,072	$	91,940	$	80,585
Income (loss) before income tax (expense) benefit from discontinued operations	$	6,547	$	930	$	10,853	$	(1,890)
Income tax (expense) benefit		(2,462)		(347)		(4,081)		706
Net income (loss) from discontinued operations		4,085		583		6,772		(1,184)
Loss on sale of Corner Bakery, net of taxes (1)		(578)		—		(9,953)		—
Income (loss) from discontinued operations	$	3,507	$	583	$	(3,181)	$	(1,184)

(1) The sale of Corner Bakery is expected to result in a taxable gain due to $11.0 million of goodwill not being deductible for tax purposes. The $10.0 million loss includes tax expense totaling $634,000.

5. SHAREHOLDERS' EQUITY

In August 2005, the Board of Directors authorized an increase in the stock repurchase plan of $150.0 million, bringing the total to $1,160.0 million. Pursuant to the Company's stock repurchase plan, the Company repurchased approximately 4.3 million shares of its common stock for $167.0 million during the first two quarters of fiscal 2006. As of December 28, 2005, approximately $108.1 million was available under the Company's share repurchase authorizations. The Company's stock repurchase plan will be used to minimize the dilutive impact of stock options and other share-based awards. The Company will consider additional share repurchases based on several factors, including the Company's cash position, share price, operational liquidity, and planned investment and financing needs. The repurchased common stock is reflected as a reduction of shareholders' equity.

6. SUPPLEMENTAL CASH FLOW INFORMATION

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

		December 28, 2005		December 29, 2004
Income taxes, net of refunds	$	32,365	$	32,294
Interest, net of amounts capitalized		13,434		11,652

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

		December 28, 2005		December 29, 2004
Retirement of fully depreciated assets	$	39,734	$	8,366
Restricted share awards issued, net of forfeitures		9,732		1,307
Capitalized straight-line rent		3,372		2,405
Net (decrease) increase in fair value of interest rate swaps		(4,946)		2,238

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

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

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

7. CONTINGENCIES

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

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

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

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	December 28, 2005	December 29, 2004	December 28, 2005	December 29, 2004
Revenues	100.0%	100.0%	100.0%	100.0%
Operating Costs and Expenses:				
Cost of sales	28.5%	28.6%	28.3%	28.2%
Restaurant expenses	55.0%	55.8%	55.3%	55.6%
Depreciation and amortization	4.7%	4.9%	4.8%	5.0%
General and administrative	5.2%	4.6%	5.0%	4.4%
Restructure charges and otherimpairments	0.1%	0.5%	0.1%	2.9%
Total operating costs and expenses	93.5%	94.4%	93.5%	96.1%
Operating income	6.5%	5.6%	6.5%	3.9%
Interest expense	0.6%	0.8%	0.6%	0.8%
Other, net	0.0%	0.1%	0.0%	0.1%
Income before income tax (expense) benefit	5.9%	4.7%	5.9%	3.0%
Income tax (expense) benefit	(2.0)%	(0.3)%	(2.0)%	0.2%
Income from continuing operations	3.9%	4.4%	3.9%	3.2%
Income (loss) from discontinued operations, net of taxes	0.3%	0.1%	(0.1)%	(0.1)%
Net income	4.2%	4.5%	3.8%	3.1%

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

	Second Quarter Openings		Year-to-Date Openings		Total Open at End Of Second Quarter		Projected Openings
	Fiscal 2006	Fiscal 2005	Fiscal 2006	Fiscal 2005	Fiscal 2006	Fiscal 2005	Fiscal 2006
Chili's:							
Company-owned	23	23	45	37	867	780	97-100
Franchised	8	4	18	11	263	243	25-30
Total	31	27	63	48	1,130	1,023	122-130
Macaroni Grill:							
Company-owned	—	3	4	8	224	214	6-7
Franchised	1	4	1	4	14	13	4-5
Total	1	7	5	12	238	227	10-12
Maggiano's	2	2	4	4	37	32	4-5
On The Border:							
Company-owned	4	1	6	2	122	113	6-8
Franchised	—	—	1	—	19	18	3-4
Total	4	1	7	2	141	131	9-12

Corner Bakery:							
Company-owned	1	—	4	1	89	83	7-9
Franchised	—	—	—	—	3	3	0-1
Total	1	—	4	1	92	86	7-10
Big Bowl	—	—	—	—	—	9	—
Grand Total	39	37	83	67	1,638	1,508	152-169

OVERVIEW

At December 28, 2005, the Company owned, operated, franchised, or was involved in the ownership of 1,638 restaurants. The Company intends to continue the expansion of its restaurant brands by opening units in strategically desirable markets. The Company considers the restaurant site selection process critical to its long-term success and devotes significant effort to the investigation of new locations utilizing a variety of sophisticated analytical techniques. The Company intends to concentrate on the development of certain identified markets to achieve penetration levels deemed desirable in order to improve competitive position, marketing potential and profitability. Expansion efforts will be focused not only on major metropolitan areas, but also on smaller market areas and non-traditional locations (such as airports, kiosks and food courts) that can adequately support any of the Company's restaurant brands. The specific rate at which the Company is able to open new restaurants is determined by its success in locating satisfactory sites, negotiating acceptable lease or purchase terms, securing appropriate local governmental permits and approvals, and by its capacity to supervise construction and recruit and train management personnel.

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

Revenues for the third quarter of fiscal 2006 are estimated to increase by approximately 11% compared to the same quarter in fiscal 2005. Cost of sales, as a percent of revenues, is estimated to be 0.2% lower than last year primarily due to favorable commodity costs. Excluding incremental stock-based compensation and refranchising gains, restaurant expenses are estimated to be 0.3% lower than last year primarily driven by an increase in sales leverage and labor efficiencies, partially offset by higher utility and advertising costs. Excluding incremental stock-based compensation, general and administrative expenses are expected to be higher due to higher performance based expenses compared to the same quarter in fiscal 2005. Excluding incremental stock-based compensation, the effective tax rate from continuing operations during the third quarter is estimated to be 32.2%.

REVENUES

Revenues for the second quarter of fiscal 2006 increased to $1,009.1 million, 10.9% over the $909.7 million generated for the same quarter of fiscal 2005. Revenues for the twenty-six week period ended December 28, 2005 rose 11.5% to $1,985.0 million from the $1,780.7 million generated for the same period of fiscal 2005. The increases were primarily attributable to a net increase of 102 company-owned restaurants since December 29, 2004 and an increase in comparable store sales. The Company increased its capacity for the second quarter and year-to-date of fiscal 2006 by 7.1% compared to the respective prior year periods. Comparable store sales increased 2.2% and 2.9% for the second quarter and year-to-date, respectively, from the same periods of fiscal 2005. Menu prices in the aggregate increased 2.7% for year-to-date fiscal 2006 as compared to fiscal 2005.

COSTS AND EXPENSES

Cost of sales, as a percent of revenues, decreased 0.1% for the second quarter of fiscal 2006 as compared to the same period of fiscal 2005. The decrease was due to a 0.8% increase in menu prices and a 0.2% decrease in commodity prices for produce, partially offset by a 0.9% unfavorable product mix shift for meat and seafood. Cost of sales, as a percent of revenues, increased 0.1% for year-to-date fiscal 2006 as compared to the same period of fiscal 2005. The increase was due to a 0.9% unfavorable product mix shift for meat and seafood and a 0.2% increase in commodity prices for meat and seafood, partially offset by a 0.8% increase in menu prices and a 0.2% decrease in commodity prices for produce.

Restaurant expenses, as a percent of revenues, decreased 0.8% and 0.3% for the second quarter and year-to-date fiscal 2006, respectively, as compared to the same periods of fiscal 2005. The decreases were primarily due to the $17.3 million FICA tax assessment recorded in the second quarter of fiscal 2005 and an increase in sales leverage. These decreases were partially offset by increases in utility costs, stock-based compensation, and advertising.

Depreciation and amortization increased $3.0 million and $5.7 million for the second quarter and year-to-date fiscal 2006, respectively, as compared to the same periods of fiscal 2005. The increases in depreciation expense were due to new unit construction and ongoing remodel costs, partially offset by a decrease in depreciation related to store closures and a declining depreciable asset base for older units.

General and administrative expenses increased $9.7 million and $20.6 million for the second quarter and year-to-date fiscal 2006, respectively, as compared to the same periods of fiscal 2005. The increases were primarily due to an increase in incentive and stock-based compensation.

Restructure charges and other impairments recorded during the second quarter and year-to-date of fiscal 2006 consist of charges associated with closed stores. Restructure charges and other impairments recorded during the second quarter of fiscal 2005 include a $4.8 million charge associated with the disposition of Big Bowl Asian Kitchen ("Big Bowl"), a $1.0 million charge for an existing lease obligation associated with a sub-lease, and a $1.7 million gain associated with closed restaurants. Restructure charges and other impairments recorded year-to-date fiscal 2005 include the charges previously mentioned, a $31.2 million impairment charge resulting from the decision to dispose of Big Bowl during the first quarter, a $16.9 million charge to fully impair the investment and notes receivable associated with Rockfish Seafood Grill, and a $1.4 million gain associated with closed restaurants.

Interest expense decreased $856,000 and $2.6 million for the second quarter and year-to-date fiscal 2006, respectively, as compared to the same periods of fiscal 2005. The decreases were primarily due to the redemption of the convertible senior debentures and the payment of the remaining principal balance on the senior notes in fiscal 2005, partially offset by increased average borrowings on the Company's lines-of-credit.

INCOME TAXES

The Company's effective income tax rate related to continuing operations increased to 34.0% from 5.8% for the second quarter of fiscal 2006 and to an expense of 33.7% from a benefit of 4.7% for year-to-date fiscal 2006 as compared to the same periods of fiscal 2005. The increases in the tax rates were partially due to stock-based compensation related to incentive stock options, which is not deductible until exercised. The increase during the second quarter was also attributable to the income tax benefit of approximately $16.9 million, consisting primarily of federal income tax credits related to the additional FICA taxes paid as a result of the IRS resolution in the second quarter of fiscal 2005. The year-to-date increase in the tax rate was also attributable to the disposition of Big Bowl in the first quarter of fiscal 2005, which allowed the Company to take tax deductions for goodwill impairment charges totaling $48.6 million.

LIQUIDITY AND CAPITAL RESOURCES

The working capital deficit increased to $206.3 million at December 28, 2005 from $117.0 million at June 29, 2005, primarily due to purchases of treasury stock. Net cash provided by operating activities of continuing operations increased to $281.3 million for the first two quarters of fiscal 2006 from $191.2 million during the same period in fiscal 2005 due to increased profitability and the timing of operational receipts and payments. The Company believes that its various sources of capital, including availability under existing credit facilities, ability to raise additional financing, and cash flow from operating activities of continuing operations, are adequate to finance operations as well as the repayment of current debt obligations.

Capital expenditures consist of purchases of land for future restaurant sites, new restaurants under construction, purchases of new and replacement restaurant furniture and equipment, and ongoing remodeling programs. Capital expenditures were $164.2 million for the first two quarters of fiscal 2006 compared to $159.1 million for the same period of fiscal 2005. The Company estimates that its capital expenditures for continuing operations during the third quarter of fiscal 2006 will approximate $99.0 million. These capital expenditures will be funded entirely from operations and existing credit facilities.

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

In February 2006, the Company completed the sale of Corner Bakery for gross cash proceeds of $72.5 million. Additionally, the Company sold six Chili's restaurants to a franchise partner for cash proceeds of $14.6 million during the third quarter of fiscal 2006.

In September 2005, the Company announced the declaration of its first quarterly dividend to common stock shareholders in the amount of $0.10 per share. The dividend was paid in December 2005 and totaled approximately $8.6 million.

In August 2005, the Board of Directors authorized an increase in the stock repurchase plan of $150.0 million, bringing the total to $1,160.0 million. Pursuant to the Company's stock repurchase plan, the Company repurchased approximately 4.3 million shares of its common stock for $167.0 million during the first two quarters of fiscal 2006. As of December 28, 2005, approximately $108.1 million was available under the Company's share repurchase authorizations. The Company's stock repurchase plan will be used to minimize the dilutive impact of stock options and other share-based awards. The Company will consider additional share repurchases based on several factors, including the Company's cash position, share price, operational liquidity, and planned investment and financing needs. The repurchased common stock is reflected as a reduction of shareholders' equity.

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

RECENT ACCOUNTING PRONOUNCEMENTS

In October 2005, the Financial Accounting Standards Board issued Staff Position 13-1, "Accounting for Rental Costs Incurred During a Construction Period" ("FSP 13-1"). FSP 13-1 is effective for the first reporting period beginning after December 15, 2005 and requires that rental costs associated with ground or building operating leases that are incurred during a construction period be recognized as rental expense. The Company currently capitalizes these costs. The Company estimates that rent expense for fiscal 2006 will increase $3.0 to $4.0 million ($1.9 to $2.5 million after taxes) as a result of FSP 13-1.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Item 4. CONTROLS AND PROCEDURES

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

There were no changes in the Company's internal control over financial reporting or in other factors that could significantly affect this control during the quarter ended December 28, 2005, that has materially affected or is reasonably likely to materially affect, the Company's internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

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

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

Inflation may increase the Company's operating expenses.

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

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

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

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

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

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

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

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

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

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

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

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

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

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

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

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

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

	Total Number of Shares Purchased (a)	Average Price Paid per Share	Maximum Dollar Value that May Yet be Purchased Under the Program
September 29, 2005 through November 2, 2005	155,500	$ 37.93	$ 130,069
November 3, 2005 through November 30, 2005	228,100	$ 38.10	$ 121,370
December 1, 2005 through December 28, 2005	351,400	$ 37.82	$ 108,066
	735,000	$ 37.93	

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

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

The Company's Proxy Statement dated September 9, 2005 for the Annual Meeting of Shareholders held on October 20, 2005, as filed with the Securities and Exchange Commission on September 9, 2005, is incorporated herein by reference.

(a) The Annual Meeting of Shareholders of the Company was held on October 20, 2005.

(b) Each of the management's nominees, as described in the Proxy Statement referenced above, was elected a director to hold office until the next Annual Meeting of Shareholders or until his or her successor is elected and qualified.

	Votes For	Votes Against or Withheld
Douglas H. Brooks	74,281,557	3,477,798
Robert M. Gates	77,286,733	472,622
Marvin J. Girouard	75,155,477	2,603,878
Ronald Kirk	77,330,164	429,191
George R. Mrkonic	75,151,704	2,607,651
Erle Nye	70,985,433	6,773,922
James E. Oesterreicher	72,098,979	5,660,376
Rosendo G. Parra	77,290,744	468,610
Cece Smith	75,156,781	2,602,574

(c) The following matters were also voted upon at the meeting and approved by the shareholders:

(i) proposal to ratify the appointment of KPMG LLP as Independent Auditors for Fiscal 2006

Votes For	77,077,841
Votes Against	666,974
Votes Abstained	14,539

(ii) proposal to amend the Stock Option and Incentive Plan

Votes For	43,309,378
Votes Against	28,706,839
Votes Abstained	52,981

(iii) proposal to amend the 1999 Stock Option and Incentive Plan for Non-Employee Directors and Consultants

Votes For	52,601,151
Votes Against	19,412,793
Votes Abstained	55,255

(iv) proposal to approve the Performance Share Plan

Votes For	58,584,633
Votes Against	13,407,757
Votes Abstained	76,808

(v) proposal to approve the Restricted Stock Unit Plan

Votes For	57,322,226
Votes Against	14,654,749
Votes Abstained	92,223

(vi) proposal to re-approve the Profit Sharing Plan

Votes For	73,925,409
Votes Against	3,788,399
Votes Abstained	45,546

Item 6. EXHIBITS

10(a) The Company's Stock Option and Incentive Plan.

10(b) The Company's 1999 Stock Option and Incentive Plan for Non-Employee Directors and Consultants.

31(a) Certification by Douglas H. Brooks, Chairman of the Board, President and Chief Executive Officer of the Registrant, pursuant to 17 CFR 240.13a – 14(a) or 17 CFR 240.15d – 14(a).

31(b) Certification by Charles M. Sonsteby, Executive Vice President and Chief Financial Officer of the Registrant, pursuant to 17 CFR 240.13a – 14(a) or 17 CFR 240.15d – 14(a).

32(a) Certification by Douglas H. Brooks, Chairman of the Board, President and Chief Executive Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32(b)	Certification by Charles M. Sonsteby, Executive Vice President and Chief Financial Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

BRINKER INTERNATIONAL, INC.

Date: February 6, 2006	By:	/s/ Douglas H. Brooks
		Douglas H. Brooks, Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
Date: February 6, 2006	By:	/s/ Charles M. Sonsteby
		Charles M. Sonsteby, Executive Vice President and Chief Financial Officer (Principal Financial Officer)

BRINKER INTERNATIONAL, INC.
STOCK OPTION AND INCENTIVE PLAN

SECTION 1

GENERAL

1.1 *Purpose.* The Brinker International, Inc. Stock Option and Incentive Plan (the "Plan") has been established by Brinker International, Inc. (the "Company") (i) to attract and retain persons eligible to participate in the Plan; (ii) motivate Participants, by means of appropriate incentives, to achieve long-range goals; (iii) provide incentive compensation opportunities that are competitive with those of other similar companies; and (iv) further align Participants' interests with those of the Company's other shareholders through compensation that is based on the Company's common stock; and thereby promote the long-term financial interest of the Company and the Related Companies, including the growth in value of the Company's equity and enhancement of long-term shareholder return.

1.2 *Participation.* Subject to the terms and conditions of the Plan, the Committee shall determine and designate, from time to time, from among the Eligible Employees, those persons who will be granted one or more Awards under the Plan, and thereby become "Participants" in the Plan. In the discretion of the Committee, a Participant may be granted any Award permitted under the provisions of the Plan, and more than one Award may be granted to a Participant. Awards may be granted as alternatives to or replacement of awards outstanding under the Plan, or any other plan or arrangement of the Company or a Related Company (including a plan or arrangement of a business or entity, all or a portion of which is acquired by the Company or a Related Company).

1.3 *Operation, Administration and Definitions.* The operation and administration of the Plan, including the Awards made under the Plan, shall be subject to the provisions of Section 4 (relating to operation and administration). Capitalized terms in the Plan shall be defined as set forth in the Plan (including the definition provisions of Section 7 of the Plan).

SECTION 2

OPTIONS AND SARS

2.1 *Definitions.*

(a) The grant of an "Option" entitles the Participant to purchase shares of Stock at an Exercise Price established by the Committee. Options granted under this Section 2 may be either Incentive Stock Options or Non-Qualified Stock Options, as determined in the discretion of the Committee. An "Incentive Stock Option" is an Option that is intended to satisfy the requirements applicable to an "incentive stock option" described in section 422(b) of the Code. A "Non-Qualified Option" is an Option that is not intended to be an incentive stock option" as that term is described in section 422(b) of the Code.

(b) A stock appreciation right (an "SAR") entitles the Participant to receive, in cash or Stock (as determined in accordance with subsection 2.5), value equal to all or a portion of the excess of: (a) the Fair Market Value of a specified number of shares of Stock at the time of exercise; over (b) an Exercise Price established by the Committee.

2.2 *Exercise Price.* The "Exercise Price" of each Option and SAR granted under this Section 2 shall be established by the Committee or shall be determined by a method established by the Committee at the time the Option or SAR is granted, except that the Exercise Price shall not be less than 100% of the Fair Market Value of a share of Stock as of the Pricing Date. For purposes of the preceding sentence, the "Pricing Date" shall be the date on which the Option or SAR is granted.

2.3 *Exercise.* An Option and an SAR shall be exercisable in accordance with such terms and conditions and during such periods as may be established by the Committee.

2.4 *Payment of Option Exercise Price.* The payment of the Exercise Price of an Option granted under this Section 2 shall be subject to the following:

(a) Subject to the following provisions of this subsection 2.4, the full Exercise Price for shares of Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described in paragraph 2.4(c), payment may be made as soon as practicable after the exercise).

(b) The Exercise Price shall be payable in cash or by tendering shares of Stock (by either actual delivery of shares or by attestation, with such shares valued at Fair Market Value as of the day of exercise), or in any combination thereof, as determined by the Committee.

(c) The Committee may permit a Participant to elect to pay the Exercise Price upon the exercise of an Option by authorizing a third party to sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire Exercise Price and any tax withholding resulting from such exercise.

2.5 *Settlement of Award.* Distribution following exercise of an Option or SAR, and shares of Stock distributed pursuant to such exercise, shall be subject to such conditions, restrictions and contingencies as the Committee may establish. Settlement of SARs may be made in shares of Stock (valued at their Fair Market Value at the time of exercise), in cash, or in a combination thereof, as determined in the discretion of the Committee. The Committee, in its discretion, may impose such conditions, restrictions and contingencies with respect to shares of Stock acquired pursuant to the exercise of an Option or an SAR as the Committee determines to be desirable.

SECTION 3

OTHER STOCK AWARDS

3.1 *Definition.* A Stock Award is a grant of shares of Stock or of a right to receive shares of Stock (or their cash equivalent or a combination of both) in the future. The grant of a right to receive shares of Stock (or their cash equivalent or a combination of both) in the future may be done in such form as the Committee determines, including, without limitation, performance shares or restricted stock units.

3.2 *Restrictions on Stock Awards.* Each Stock Award shall be subject to such conditions, restrictions and contingencies as the Committee shall determine. These may include continuous service and/or the achievement of performance measures. The Committee may designate a single goal criterion or multiple goal criteria for performance measurement purposes, with the measurement based on absolute Company or business unit performance and/or on performance as compared with that of other publicly traded companies. If the right to become vested in a Stock Award granted under this Section 3 is conditioned on the completion of a specified period of service with the Company and the Related Companies, without achievement of performance measures or other objectives being required as a condition of vesting, then the required period of service for vesting shall be not less than three years (subject to acceleration of vesting, to the extent permitted by the Committee, in the event of the Participant's death, disability, change in control or involuntary termination).

SECTION 4

OPERATION AND ADMINISTRATION

4.1 *Effective Date.* The Plan shall be effective as of September 3, 1998 (the "Effective Date"), shall be unlimited in duration and, in the event of Plan termination, shall remain in effect as long as any Awards under it are outstanding.

4.2 *Shares Subject to Plan.*

(a) (i) Subject to the following provisions of this subsection 4.2, the maximum number shares of Stock that may be delivered to Participants and their beneficiaries under the Plan shall be equal to the sum of: (1) 17,500,000 shares of Stock and (2) any shares of Stock that are represented by awards granted under any prior plan of the Company in which employees are eligible to participate (the "Prior Plans"), which are forfeited, expire or are canceled without delivery of shares of Stock or which result in the forfeiture of shares of Stock back to the Company.

(ii) Any shares of Stock granted under the Plan that are forfeited because of the failure to meet an Award contingency or condition shall again be available for delivery pursuant to new Awards granted under the Plan. To the extent any shares of Stock covered by an Award are not delivered to a Participant or beneficiary because the Award is forfeited or canceled, or the shares of Stock are not delivered because the Award is settled in cash, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan.

(iii) Shares of Stock delivered under the Plan in settlement, assumption or substitution of outstanding awards (or obligations to grant future awards) under the plans or arrangements of another entity shall not reduce the maximum number of shares of Stock available for delivery under the Plan, to the extent that such settlement, assumption or substitution as a result of the Company or a Related Company acquiring another entity (or an interest in another entity).

(iv) Notwithstanding the foregoing, the following shares of Stock shall not be available for issuance under the Plan:

(1) shares tendered by Participants as full or partial payment to the Company upon exercise of Options granted under the Plan;

(2) shares reserved for issuance for each SAR granted under the Plan, to the extent the number of reserved shares exceeds the number of shares actually issued upon exercise of each such SAR; and

(3) shares withheld by, or otherwise remitted to, the Company to satisfy a Participant's tax withholding obligations upon the lapse of restrictions on a Stock Award or the exercise of any Options or SARs granted under the Plan or upon any other payment or issuance of shares under the Plan.

(b) Subject to paragraph 4.2(c), the following additional maximums are imposed under the Plan.

(i) The maximum number of shares of Stock that may be issued by Options intended to be Incentive Stock Options shall be 17,500,000 shares.

(ii) The maximum number of shares of Stock that may be issued in conjunction with Awards granted pursuant to Section 3 (relating to Stock Awards) shall equal the sum of: (1) 3,000,000 shares, and (2) the 544,076 shares previously issued in conjunction with Stock Awards during the time period prior to November 13, 2002.

(iii) The maximum number of shares that may be covered by Awards granted to any one individual pursuant to Section 2 (relating to Options and SARs) shall be 500,000 shares during any fiscal year.

(iv) The maximum payment that can be made for awards granted to any one individual pursuant to Section 3 (relating to Stock Awards) shall be 200,000 shares for any single or combined performance goals established for any fiscal year.

(v) The maximum time period for any Option to be exercised shall be 10 years from the date of grant.

(c) Subject to the provisions of Section 6 hereof, in the event of a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the Committee may adjust Awards to preserve the benefits or potential benefits of the Awards. Action by the Committee may include adjustment of: (i) the number and kind of shares which may be delivered under the Plan; (ii) the number and kind of shares subject to outstanding Awards; and (iii) the Exercise Price of outstanding Options and SARs as well as any other adjustments that the Committee determines to be equitable.

4.3 *Limit on Distribution.* Distribution of shares of Stock or other amounts under the Plan shall be subject to the following:

(a) Notwithstanding any other provision of the Plan, the Company shall have no liability to deliver any shares of Stock under the Plan or make any other distribution of benefits under the Plan unless such delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act of 1933), and the applicable requirements of any securities exchange or similar entity.

(b) To the extent that the Plan provides for issuance of stock certificates to reflect the issuance of shares of Stock, the issuance may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

4.4 *Tax Withholding.* Whenever the Company proposes or is required to distribute Stock under the Plan, the Company may require the recipient to remit to the Company an amount sufficient to satisfy any Federal, state and local tax withholding requirements prior to the delivery of any certificate for such shares or, in the discretion of the Committee, the Company may withhold from the shares to be delivered shares sufficient to satisfy all or a portion of such tax withholding requirements. Whenever under the Plan payments are to be made in cash, such payments may be net of an amount sufficient to satisfy any Federal, state and local tax withholding requirements.

4.5 *Payment Shares.* Subject to the overall limitation on the number of shares of Stock that may be delivered under the Plan, the Committee may use available shares of Stock as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of the Company or a Related Company, including the plans and arrangements of the Company or a Related Company acquiring another entity (or an interest in another entity).

4.6 *Dividends and Dividend Equivalents.* An Award may provide the Participant with the right to receive dividends or dividend equivalent payments with respect to Stock which may be either paid currently or credited to an account for the Participant, and may be settled in cash or Stock as determined by the Committee. Any such settlements, and any such crediting of dividends or dividend equivalents or reinvestment in shares of Stock, may be subject to such conditions, restrictions and contingencies as the Committee shall establish, including the reinvestment of such credited amounts in Stock equivalents.

4.7 *Payments.* Awards may be settled through cash payments, the delivery of shares of Stock, the granting of replacement Awards, or combination thereof as the Committee shall determine. Any Award settlement, including payment deferrals, may be subject to such conditions, restrictions and contingencies as the Committee shall determine. The Committee may permit or require the deferral of any Award payment, subject to such rules and procedures as it may establish, which may include provisions for the payment or crediting of interest, or dividend equivalents, including converting such credits into deferred Stock equivalents.

4.8 *Transferability.* Except as otherwise provided by the Committee, Awards under the Plan are not transferable except as designated by the Participant by will or by the laws of descent and distribution. However, in no event may Awards be transferred for monetary value or monetary consideration without the approval of the shareholders of the Company. Notwithstanding the foregoing, Options may be assigned or transferred by the Participant (a) to immediate family members of the Participant, or (b) to a trust in which the Participant or such family members have more than 50% of the beneficial interests, a foundation in which the Participant or such family members control the management of the foundation's assets, or any other entity in which the Participant or such family members own more than 50% of the voting interests.

4.9 *Form and Time of Elections.* Unless otherwise specified herein, each election required or permitted to be made by any Participant or other person entitled to benefits under the Plan, and any permitted modification, or revocation thereof, shall be in writing filed with the Committee at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Committee shall require.

4.10 *Agreement With Company.* At the time of an Award to a Participant under the Plan, the Committee may require a Participant to enter into an agreement with the Company (the "Agreement") in a form specified by the Committee, agreeing to the terms and conditions of the Plan and to such additional terms and conditions, not inconsistent with the Plan, as the Committee may, in its sole discretion, prescribe.

4.11 *Limitation of Implied Rights.*

(a) Neither a Participant nor any other person shall, by reason of the Plan, acquire any right in or title to any assets, funds or property of the Company or any Related Company whatsoever, including, without limitation, any specific funds, assets, or other property which the Company or any Related Company, in their sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the stock or amounts, if any, payable under the Plan, unsecured by any assets of the Company or any Related Company. Nothing contained in the Plan shall constitute a guarantee that the assets of such companies shall be sufficient to pay any benefits to any person.

(b) The Plan does not constitute a contract of employment, and selection as a Participant will not give any employee the right to be retained in the employ of the Company or any Related Company, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. Except as otherwise provided in the Plan, no Award under the Plan shall confer upon the holder thereof any right as a shareholder of the Company prior to the date on which the individual fulfills all conditions for receipt of such rights.

4.12 *Evidence.* Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

4.13 *Action by Company or Related Company.* Any action required or permitted to be taken by the Company or any Related Company shall be by resolution of its board of directors, or by action of one or more members of the board (including a committee of the board) who are duly authorized to act for the board, or (except to the extent prohibited by applicable law or applicable rules of any stock exchange) by a duly authorized officer of the company.

4.14 *Gender and Number.* Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

SECTION 5

COMMITTEE

5.1 *Administration.* The authority to control and manage the operation and administration of the Plan shall be vested in the Compensation Committee (the "Committee") in accordance with this Section 5. The Committee shall be selected by the Board and shall consist of two or more members of the Board.

5.2 *Powers of Committee.* The authority to manage and control the operation and administration of the Plan shall be vested in the Committee, subject to the following:

(a) Subject to the provisions of the Plan, the Committee will have the authority and discretion to select from among the Eligible Employees those persons who shall receive Awards, to determine the time or times of receipt, to determine the types of Awards and the number of shares covered by the Awards, to establish the terms, conditions, performance criteria, restrictions, and other provisions of such Awards, and (subject to the restrictions imposed by Section 6) to cancel or suspend Awards. In making such Award determinations, the Committee may take into account the nature of services rendered by the individual, the individual's present and potential contribution to the Company's success and such other factors as the Committee deems relevant.

(b) Subject to the provisions of the Plan, the Committee will have the authority and discretion to determine the extent to which Awards under the Plan will be structured to conform to the requirements applicable to performance-based compensation as described in Code section 162(m), and to take such action, establish such procedures, and impose such restrictions at the time such Awards are granted as the Committee determines to be necessary or appropriate to conform to such requirements.

(c) Subject to the provisions of the Plan, the Committee will have the authority and discretion to establish terms and conditions of awards as the Committee determines to be necessary or appropriate to conform to applicable requirements or practices of jurisdictions outside of the United States.

(d) The Committee will have the authority and discretion to interpret the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan, to determine the terms and provisions of any agreements made pursuant to the Plan, and to make all other determinations that may be necessary or advisable for the administration of the Plan.

(e) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding.

(f) Except as otherwise expressly provided in the Plan, where the Committee is authorized to make a determination with respect to any Award, such determination shall be made at the time the Award is made, except that the Committee may reserve the authority to have such determination made by the Committee in the future (but only if such reservation is made at the time the Award is granted and is expressly stated in the Agreement reflecting the Award).

(g) In controlling and managing the operation and administration of the Plan, the Committee shall act by a majority of its then members, by meeting or by writing filed without a meeting. The Committee shall maintain and keep adequate records concerning the Plan and concerning its proceedings and acts in such form and detail as the Committee may decide.

5.3 *Delegation by Committee.* Except to the extent prohibited by applicable law or the applicable rules of a stock exchange and subject to the prior approval of the Board, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time.

5.4 *Information to be Furnished to Committee.* The Company and Related Companies shall furnish the Committee with such data and information as may be required for it to discharge its duties. The records of the Company and Related Companies as to an employee's or Participant's employment, termination of employment, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Participants and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

SECTION 6

**ACCELERATION OF EXERCISABILITY
AND VESTING UNDER CERTAIN CIRCUMSTANCES**

Notwithstanding any provision in this Plan to the contrary, with regard to any Award of Options, SARs and Stock Awards to any Participant, unless the particular grant agreement provides otherwise, all Awards will become immediately exercisable and vested in full upon the occurrence, before the expiration or termination of such Option, SARs and Stock Awards or forfeiture of such Awards, of any of the events listed below:

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

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

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

SECTION 7

AMENDMENT AND TERMINATION

The Committee may, at any time, amend or terminate the Plan, provided that, subject to subsection 4.2 (relating to certain adjustments to shares) and Section 6 hereof (relating to immediate vesting upon certain events), no amendment or termination may, in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the affected beneficiary), adversely affect the rights of any Participant or beneficiary under any Award granted under the Plan prior to the date such amendment is adopted by the Board. Notwithstanding anything herein to the contrary, no amendment to the Plan may be adopted without the approval of the Company's shareholders that would (a) materially increase the number of shares available under the Plan (other than an increase solely to reflect a reorganization, stock split, merger, spin-off or similar transaction), (b) change the types of Awards available under the Plan, (c) materially expand the class of persons eligible to receive Awards under or otherwise participate in the Plan, (d) materially extend the term of the Plan, (e) materially change the method of determining the strike price of options under the Plan, (f) permit repricing of an Option or SAR, or (g) permit the grant of an Option or SAR for, or in connection with, the cancellation or surrender of an Option, SAR or Stock Award granted under the Plan having a higher option or exercise price.

SECTION 8

DEFINED TERMS

For purposes of the Plan, the terms listed below shall be defined as follows:

(a) *Award*. The term "Award" shall mean any award or benefit granted to any Participant under the Plan, including, without limitation, the grant of Options, SARs, and Stock Awards.

(b) *Board*. The term "Board" shall mean the Board of Directors of the Company.

(c) *Code*. The term "Code" means the Internal Revenue Code of 1986, as amended. A reference to any provision of the Code shall include reference to any successor provision of the Code.

(d) *Eligible Employee.* The term "Eligible Employee" shall mean any employee of the Company or a Related Company.

(e) *Fair Market Value*. For purposes of determining the "Fair Market Value" of a share of Stock, the following rules shall apply:

(i) If the Stock is at the time listed or admitted to trading on any stock exchange, then the "Fair Market Value" shall be the mean the closing price of the Stock on the date in question on the principal exchange on which the Stock is then listed or admitted to trading.

(ii) If the Stock is not at the time listed or admitted to trading on a stock exchange, the "Fair Market Value" shall be the mean between the lowest reported bid price and highest reported asked price of the Stock on the date in question in the over-the-counter market, as such prices are reported in a publication of general circulation selected by the Committee and regularly reporting the market price of Stock in such market.

(iii) If the Stock is not listed or admitted to trading on any stock exchange or traded in the over-the-counter market, the "Fair Market Value" shall be as determined in good faith by the Committee.

(f) *Exchange Act*. The term "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(g) *Related Companies*. The term "Related Company" means any company during any period in which it is a "parent company" (as that term is defined in Code section 424(e)) with respect to the Company, or a "subsidiary corporation" (as that term is defined in Code section 424(f)) with respect to the Company.

(h) *Stock*. The term "Stock" shall mean shares of common stock of the Company.

BRINKER INTERNATIONAL, INC.
1999 STOCK OPTION AND INCENTIVE PLAN
FOR NON-EMPLOYEE DIRECTORS AND CONSULTANTS

SECTION 1

GENERAL

1.1 *Purpose.* The Brinker International, Inc. 1999 Stock Option and Incentive Plan For Non-Employee Directors and Consultants (the “Plan”) has been established by Brinker International, Inc. (the “Company”) to provide a means through which the Company may attract able persons to serve on its Board and to act as consultants or advisors and to provide such individuals with an interest in the Company’s welfare and to furnish them an incentive to continue their services for the Company.

1.2 *Participation.* Subject to the terms and conditions of the Plan, the directors of the Company who are not employees of the Company or its subsidiaries, and certain consultants, are eligible to become “Participants” in the Plan. In the discretion of the Committee, a Participant may be granted any Award permitted under the provisions of the Plan, and more than one Award may be granted to a Participant. Awards may be granted as alternatives to or replacement of awards outstanding under the Plan, or any other plan or arrangement of the Company or a Related Company (including a plan or arrangement of a business or entity, all or a portion of which is acquired by the Company or a Related Company).

1.3 *Operation, Administration and Definitions.* The operation and administration of the Plan, including the Awards made under the Plan, shall be subject to the provisions of Section 4 (relating to operation and administration). Capitalized terms in the Plan shall be defined as set forth in the Plan (including the definition provisions of Section 7 of the Plan).

SECTION 2

OPTIONS AND SARS

2.1 *Definitions.*

(a) The grant of an “Option” entitles the Participant to purchase shares of Stock at an Exercise Price established by the Committee. Options granted under this Section 2 will be Non-Qualified Stock Options. A “Non-Qualified Stock Option” is an Option that is not intended to be an “incentive stock option” as that term is described in section 422(b) of the Code.

(b) A stock appreciation right (an “SAR”) entitles the Participant to receive, in cash or Stock (as determined in accordance with subsection 2.5), value equal to all or a portion of the excess of: (a) the Fair Market Value of a specified number of shares of Stock at the time of exercise; over (b) an Exercise Price established by the Committee.

2.2 *Exercise Price.* The “Exercise Price” of each Option and SAR granted under this Section 2 shall be established by the Committee or shall be determined by a method established by the Committee at the time the Option or SAR is granted, except that the Exercise Price shall not be less than 100% of the Fair Market Value of a share of Stock as of the Pricing Date. For purposes of the preceding sentence, the “Pricing Date” shall be the date on which the Option or SAR is granted.

2.3 *Exercise.* An Option and an SAR shall be exercisable in accordance with such terms and conditions and during such periods as may be established by the Committee.

2.4 *Payment of Option Exercise Price.* The payment of the Exercise Price of an Option granted under this Section 2 shall be subject to the following:

(a) Subject to the following provisions of this subsection 2.4, the full Exercise Price for shares of Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described in paragraph 2.4(c), payment may be made as soon as practicable after the exercise).

(b) The Exercise Price shall be payable in cash or by tendering shares of Stock (by either actual delivery of shares or by attestation, with such shares valued at Fair Market Value as of the day of exercise), or in any combination thereof, as determined by the Committee.

(c) The Committee may permit a Participant to elect to pay the Exercise Price upon the exercise of an Option by authorizing a third party to sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire Exercise Price and any tax withholding resulting from such exercise.

2.5 *Settlement of Award.* Distribution following exercise of an Option or SAR, and shares of Stock distributed pursuant to such exercise, shall be subject to such conditions, restrictions and contingencies as the Committee may establish. Settlement of SARs may be made in shares of Stock (valued at their Fair Market Value at the time of exercise), in cash, or in a combination thereof, as determined in the discretion of the Committee. The Committee, in its discretion, may impose such conditions, restrictions and contingencies with respect to shares of Stock acquired pursuant to the exercise of an Option or an SAR as the Committee determines to be desirable.

SECTION 3

OTHER STOCK AWARDS

3.1 *Definition.* A Stock Award is a grant of shares of Stock or of a right to receive shares of Stock (or their cash equivalent or a combination of both) in the future. The grant of a right to receive shares of Stock (or their cash equivalent or a combination of both) in the future may be done in such form as the

Committee determines, including, without limitation, performance shares or restricted stock units.

3.2 *Restrictions on Stock Awards.* Each Stock Award shall be subject to such conditions, restrictions and contingencies as the Committee shall determine. If the right to become vested in a Stock Award granted under this Section 3 is conditioned on the completion of a specified period of service with the Company and the Related Companies, then the required period of service for vesting shall be not less than one year (subject to acceleration of vesting, to the extent permitted by the Committee, in the event of the Participant's death, disability, change in control or involuntary termination).

SECTION 4

OPERATION AND ADMINISTRATION

4.1 *Effective Date.* The Plan shall be effective as of September 2, 1999 (the "Effective Date"). The Plan shall be unlimited in duration and, in the event of Plan termination, shall remain in effect as long as any Awards under it are outstanding.

4.2 *Shares Subject to Plan.*

(a) (i) Subject to the following provisions of this subsection 4.2, the maximum number shares of Stock that may be delivered to Participants and their beneficiaries under the Plan shall be 800,000.

(ii) Any shares of Stock granted under the Plan that are forfeited because of the failure to meet an Award contingency or condition shall again be available for delivery pursuant to new Awards granted under the Plan. To the extent any shares of Stock covered by an Award are not delivered to a Participant or beneficiary because the Award is forfeited or canceled, or the shares of Stock are not delivered because the Award is settled in cash, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan.

(iii) Shares of Stock delivered under the Plan in settlement, assumption or substitution of outstanding awards (or obligations to grant future awards) under the plans or arrangements of another entity shall not reduce the maximum number of shares of Stock available for delivery under the Plan, to the extent that such settlement, assumption or substitution as a result of the Company or a Related Company acquiring another entity (or an interest in another entity).

(iv) Notwithstanding the foregoing, the following shares of Stock shall not be available for issuance under the Plan:

(I) shares tendered by Participants as full or partial payment to the Company upon exercise of Options granted under the Plan;

(II) shares reserved for issuance for each SAR granted under the Plan, to the extent the number of reserved shares exceeds the number of shares actually issued upon exercise of each such SAR; and

(III) shares withheld by, or otherwise remitted to, the Company to satisfy a Participant's tax withholding obligations upon the lapse of restrictions on a Stock Award or the exercise of any Options or SARs granted under the Plan or upon any other payment or issuance of shares under the Plan.

(b) Subject to Paragraph 4.2(c), the maximum time period for any Option to be exercised shall be 10 years from the date of grant.

(c) Subject to the provisions of Section 6 hereof, in the event of a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the Committee may adjust Awards to preserve the benefits or potential benefits of the Awards. Action by the Committee may include adjustment of: (i) the number and kind of shares which may be delivered under the Plan; (ii) the number and kind of shares subject to outstanding Awards; and (iii) the Exercise Price of outstanding Options and SARs as well as any other adjustments that the Committee determines to be equitable.

4.3 *Limit on Distribution.* Distribution of shares of Stock or other amounts under the Plan shall be subject to the following:

(a) Notwithstanding any other provision of the Plan, the Company shall have no liability to deliver any shares of Stock under the Plan or make any other distribution of benefits under the Plan unless such delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act of 1933), and the applicable requirements of any securities exchange or similar entity.

(b) To the extent that the Plan provides for issuance of stock certificates to reflect the issuance of shares of Stock, the issuance may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

4.4 *Tax Withholding.* Whenever the Company proposes or is required to distribute Stock under the Plan, the Company may require the recipient to remit to the Company an amount sufficient to satisfy any Federal, state and local tax withholding requirements prior to the delivery of any certificate for such shares or, in the discretion of the Committee, the Company may withhold from the shares to be delivered shares sufficient to satisfy all or a portion of such tax withholding requirements. Whenever under the Plan payments are to be made in cash, such payments may be net of an amount sufficient to satisfy any Federal, state and local tax withholding requirements.

4.5 *Payment Shares.* Subject to the overall limitation on the number of shares of Stock that may be delivered under the Plan, the Committee may use available shares of Stock as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of the

Company or a Related Company, including the plans and arrangements of the Company or a Related Company acquiring another entity (or an interest in another entity).

4.6 *Dividends and Dividend Equivalents.* An Award may provide the Participant with the right to receive dividends or dividend equivalent payments with respect to Stock which may be either paid currently or credited to an account for the Participant, and may be settled in cash or Stock as determined by the Committee. Any such settlements, and any such crediting of dividends or dividend equivalents or reinvestment in shares of Stock, may be subject to such conditions, restrictions and contingencies as the Committee shall establish, including the reinvestment of such credited amounts in Stock equivalents.

4.7 *Payments.* Awards may be settled through cash payments, the delivery of shares of Stock, the granting of replacement Awards, or combination thereof as the Committee shall determine. Any Award settlement, including payment deferrals, may be subject to such conditions, restrictions and contingencies as the Committee shall determine. The Committee may permit or require the deferral of any Award payment, subject to such rules and procedures as it may establish, which may include provisions for the payment or crediting of interest, or dividend equivalents, including converting such credits into deferred Stock equivalents.

4.8 *Transferability.* Except as otherwise provided by the Committee, Awards under the Plan are not transferable except as designated by the Participant by will or by the laws of descent and distribution. However, in no event may Awards be transferred for monetary value or monetary consideration without the approval of the shareholders of the Company.

4.9 *Form and Time of Elections.* Unless otherwise specified herein, each election required or permitted to be made by any Participant or other person entitled to benefits under the Plan, and any permitted modification, or revocation thereof, shall be in writing filed with the Committee at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Committee shall require.

4.10 *Agreement With Company.* At the time of an Award to a Participant under the Plan, the Committee may require a Participant to enter into an agreement with the Company (the “Agreement”) in a form specified by the Committee, agreeing to the terms and conditions of the Plan and to such additional terms and conditions, not inconsistent with the Plan, as the Committee may, in its sole discretion, prescribe.

4.11 *Limitation of Implied Rights.*

(a) Neither a Participant nor any other person shall, by reason of the Plan, acquire any right in or title to any assets, funds or property of the Company or any Related Company whatsoever, including, without limitation, any specific funds, assets, or other property which the Company or any Related Company, in their sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the stock or amounts, if any, payable under the Plan, unsecured by any assets of the Company or any Related Company. Nothing contained in the Plan shall constitute a guarantee that the assets of such companies shall be sufficient to pay any benefits to any person.

(b) The Plan does not give any Participant any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. Except as otherwise provided in the Plan, no Award under the Plan shall confer upon the holder thereof any right as a shareholder of the Company prior to the date on which the individual fulfills all conditions for receipt of such rights.

4.12 *Evidence.* Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

4.13 *Action by Company or Related Company.* Any action required or permitted to be taken by the Company or any Related Company shall be by resolution of its board of directors, or by action of one or more members of the board (including a committee of the board) who are duly authorized to act for the board, or (except to the extent prohibited by applicable law or applicable rules of any stock exchange) by a duly authorized officer of the company.

4.14 *Gender and Number.* Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

SECTION 5

COMMITTEE

5.1 *Administration.* The authority to control and manage the operation and administration of the Plan shall be vested in the Governance and Nominating Committee (the “Committee”) in accordance with this Section 5. The Committee shall be selected by the Board and shall consist of two or more members of the Board.

5.2 *Powers of Committee.* The authority to manage and control the operation and administration of the Plan shall be vested in the Committee, subject to the following:

(a) Subject to the provisions of the Plan, the Committee will have the authority and discretion to select those persons who shall receive Awards. to determine the time or times of receipt, to determine the types of Awards and the number of shares covered by the Awards, to establish the terms, conditions, performance criteria, restrictions, and other provisions of such Awards, and (subject to the restrictions imposed by Section 6) to cancel or suspend Awards. In making such Award determinations, the Committee may take into account the nature of services rendered by the individual, the individual’s present and potential contribution to the Company’s success and such other factors as the Committee deems relevant.

(b) Subject to the provisions of the Plan, the Committee will have the authority and discretion to establish terms and conditions of awards as the Committee determines to be necessary or appropriate to conform to applicable requirements or practices of jurisdictions outside of the United States.

(c) The Committee will have the authority and discretion to interpret the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan, to determine the terms and provisions of any agreements made pursuant to the Plan, and to make all other determinations that may be necessary or advisable for the administration of the Plan.

(d) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding.

(e) Except as otherwise expressly provided in the Plan, where the Committee is authorized to make a determination with respect to any Award, such determination shall be made at the time the Award is made, except that the Committee may reserve the authority to have such determination made by the Committee in the future (but only if such reservation is made at the time the Award is granted and is expressly stated in the Agreement reflecting the Award).

(f) In controlling and managing the operation and administration of the Plan, the Committee shall act by a majority of its then members, by meeting or by writing filed without a meeting. The Committee shall maintain and keep adequate records concerning the Plan and concerning its proceedings and acts in such form and detail as the Committee may decide.

5.3 *Delegation by Committee.* Except to the extent prohibited by applicable law or the applicable rules of a stock exchange and subject to the prior approval of the Board, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time.

5.4 *Information to be Furnished to Committee.* The Company and Related Companies shall furnish the Committee with such data and information as may be required for it to discharge its duties. Participants and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

SECTION 6

ACCELERATION OF EXERCISABILITY AND VESTING UNDER CERTAIN CIRCUMSTANCES

Notwithstanding any provision in this Plan to the contrary, with regard to any Award of Options, SARs and Stock Awards to any Participant, unless the particular grant agreement provides otherwise, all Awards will become immediately exercisable and vested in full upon the occurrence, before the expiration or termination of such Option, SARs and Stock Awards or forfeiture of such Awards, of any of the events listed below:

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

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

(c) the failure at any annual or special meetings of the Company’s shareholders held during the three-year period following a “solicitation in opposition” as defined in Rule 14a-6 promulgated under the Exchange Act, of a majority of the persons nominated by the Company in the proxy material mailed to shareholders by the management of the Company

to win election to seats on the Board (such majority calculated based upon the total number of persons nominated by the Company failing to win election to seats on the Board divided by the total number of Board members of the Board as of the beginning of such three year period), excluding only those who die, retire voluntarily, are disabled or are otherwise disqualified in the interim between their nomination and the date of the meeting.

SECTION 7

AMENDMENT AND TERMINATION

The Committee may, at any time, amend or terminate the Plan, provided that, subject to subsection 4.2 (relating to certain adjustments to shares) and Section 6 hereof (relating to immediate vesting upon certain events), no amendment or termination may, in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the affected beneficiary), adversely affect the rights of any Participant or beneficiary under any Award granted under the Plan prior to the date such amendment is adopted by the Board. Notwithstanding anything herein to the contrary, no amendment to the Plan may be adopted without the approval of the Company’s shareholders that would (a) materially increase the number of shares available under the Plan (other than an increase solely to reflect a reorganization, stock split, merger, spin-off or similar transaction), (b) change the types of Awards available under the Plan, (c) materially expand the class of persons eligible to receive Awards under or otherwise participate in the Plan, (d) materially extend the term of the Plan, (e) materially change the method of determining the strike price of options under the Plan, (f) permit repricing of an Option or SAR, or (g) permit the grant of an Option or SAR for, or in connection with, the cancellation or surrender of an Option, SAR or Stock Award granted under the Plan having a higher option or exercise price.

SECTION 8

DEFINED TERMS

For purposes of the Plan, the terms listed below shall be defined as follows:

(a) *Award*. The term “Award” shall mean any award or benefit granted to any Participant under the Plan, including, without limitation, the grant of Options, SARs, and Stock Awards.

(b) *Board*. The term “Board” shall mean the Board of Directors of the Company.

(c) *Code*. The term “Code” means the Internal Revenue Code of 1986, as amended. A reference to any provision of the Code shall include reference to any successor provision of the Code.

(d) *Fair Market Value*. For purposes of determining the “Fair Market Value” of a share of Stock, the following rules shall apply:

(i) If the Stock is at the time listed or admitted to trading on any stock exchange, then the “Fair Market Value” shall be the mean between the closing price of the Stock on the date in question on the principal exchange on which the Stock is then listed or admitted to trading.

(ii) If the Stock is not at the time listed or admitted to trading on a stock exchange, the “Fair Market Value” shall be the mean between the lowest reported bid price and highest reported asked price of the Stock on the date in question in the over-the-counter market, as such prices are reported in a publication of general circulation selected by the Committee and regularly reporting the market price of Stock in such market.

(iii) If the Stock is not listed or admitted to trading on any stock exchange or traded in the over-the-counter market, the “Fair Market Value” shall be as determined in good faith by the Committee.

(f) *Exchange Act*. The term “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(g) *Related Companies*. The term “Related Company” means any company during any period in which it is a “parent company” (as that term is defined in Code section 424(e)) with respect to the Company, or a “subsidiary corporation” (as that term is defined in Code section 424(f)) with respect to the Company.

(h) *Stock*. The term “Stock” shall mean shares of common stock of the Company.

EXHIBIT 31(a)

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: February 6, 2006

/s/ Douglas H. Brooks

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

EXHIBIT 31(b)

CERTIFICATIONS

I, Charles M. Sonsteby, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: February 6, 2006

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

EXHIBIT 32(a)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the "Company"), hereby certifies that the Company's quarterly report on Form 10-Q for the quarter ended December 28, 2005 (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: February 6, 2006

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

EXHIBIT 32(b)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the "Company"), hereby certifies that the Company's quarterly report on Form 10-Q for the quarter ended December 28, 2005 (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: February 6, 2006	By: /s/ Charles M. Sonsteby Charles M. Sonsteby, Executive Vice President and Chief Financial Officer (Principal Financial Officer)