

BRINKER INTERNATIONAL INC

Form 11-K

June 24, 2013

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

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

For the fiscal year ended December 31, 2012

OR

.. TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition year from to

Commission File No. 1-10275

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

BRINKER INTERNATIONAL

401(K) SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Brinker International

6820 LBJ Freeway

Dallas, Texas 75240

Table of Contents

Table of Contents

	Page
Report of Independent Registered Public Accounting Firm	1
Financial Statements:	
Statements of Net Assets Available for Benefits as of December 31, 2012 and 2011	2
Statements of Changes in Net Assets Available for Benefits for the Years Ended December 31, 2012 and 2011	3
Notes to Financial Statements	4
Supplemental Schedule* - Form 5500 Schedule H, line 4i – Schedule of Assets (Held at End of Year) - December 31, 2012	10
Exhibit 23 - Consent of Independent Registered Public Accounting Firm	12
Exhibit 99 - Certification by Marie Perry, Plan Administrator of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	13

* All other schedules required by Department of Labor Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they are not applicable.

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of the
Brinker International 401(k) Savings Plan:

We have audited the accompanying statements of net assets available for benefits of the Brinker International 401(k) Savings Plan (the "Plan") as of December 31, 2012 and 2011, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Brinker International 401(k) Savings Plan as of December 31, 2012 and 2011, and the changes in its net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of Form 5500, Schedule H, Line 4i – Schedule of Assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Whitley Penn LLP

Dallas, Texas

June 24, 2013

Table of Contents

BRINKER INTERNATIONAL

401(k) SAVINGS PLAN

Statements of Net Assets Available for Benefits

December 31, 2012 and 2011

	2012	2011
Investments – at fair value (Note 3):		
Money market	\$8,634,177	\$9,096,385
Mutual funds	124,997,257	104,534,999
Brinker common stock fund	19,037,766	16,315,577
	152,669,200	129,946,961
Receivables:		
Employer contributions	225,269	118,609
Participants' contributions	199,754	186,958
Notes receivable from participants	7,834,301	7,250,083
	8,259,324	7,555,650
Net assets available for benefits	\$160,928,524	\$137,502,611
See accompanying notes to financial statements.		

Table of Contents

BRINKER INTERNATIONAL

401(k) SAVINGS PLAN

Statements of Changes in Net Assets Available for Benefits

Years Ended December 31, 2012 and 2011

	2012	2011
Additions:		
Contributions:		
Participants	\$12,903,224	\$11,866,322
Rollovers	425,927	661,923
Employer	7,121,113	6,528,599
	20,450,264	19,056,844
Investment income:		
Net appreciation (depreciation) in fair value of investments	14,640,798	(836,327)
Interest and dividends	3,945,327	2,716,946
	18,586,125	1,880,619
Interest on notes receivable from participants	313,319	310,184
Total additions	39,349,708	21,247,647
Deductions:		
Benefits paid to participants	15,923,795	17,556,686
Net increase	23,425,913	3,690,961
Net assets available for benefits at beginning of year	137,502,611	133,811,650
Net assets available for benefits at end of year	\$160,928,524	\$137,502,611
See accompanying notes to financial statements.		

Table of Contents

BRINKER INTERNATIONAL

401(k) SAVINGS PLAN

Notes to Financial Statements

December 31, 2012 and 2011

1. DESCRIPTION OF THE PLAN

The following description of the Brinker International (“Company” or “Brinker”) 401(k) Savings Plan (the “Plan”) is provided for general information purposes only. Participants should refer to the Plan Document for a more complete description of the Plan’s provisions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended.

General

The Company originally adopted the Plan effective January 1, 1993. The Plan is a qualified defined contribution retirement plan covering eligible employees as defined below. The Plan was most recently amended and restated in its entirety effective December 15, 2011, primarily for the purpose of incorporating previous Plan amendments and implementing an updated Plan Document. Leased employees, non-US citizens, and union employees without specific contract provisions are not eligible to participate in the Plan.

The investments of the Plan are maintained in a trust (the “Trust”) by Fidelity Management Trust Company (the “Trustee”) and the recordkeeping functions are performed by Fidelity Investments Institutional Operations Company Incorporated (the “Recordkeeper”).

Contributions

An employee may become a participant on the first of the month following the date the employee completes one year of eligible service (at least 1,000 hours) and attains the age of twenty-one. Contributions are subject to Internal Revenue Service (“IRS”) limitations on total annual contributions, as well as plan limitations which stipulate that up to 50% of eligible base compensation including tips and 100% of eligible bonuses, as defined in the Plan, may be contributed to various investment funds on a tax-deferred basis.

The Company matches in cash at a rate of 100% of the first 3% of pay and 50% of the next 2% of pay for a participant’s compensation, as defined in the Plan, up to the maximum deferrable amount allowed by the Internal Revenue Code (“IRC”).

Eligible participants age 50 or older by the end of a calendar year are permitted to make catch-up contributions to the Plan up to the deferral amount allowed by the IRC.

Active hourly-tipped participants may elect to make voluntary after-tax contributions for each pay period under the Plan. The employee contributions may be made only from the participant’s compensation representing tip income that is not paid through the Company’s payroll and may contribute up to 100% of such tip income. An active participant may not make contributions for any period in which such person is not accruing hours of service with the Company.

Table of Contents

BRINKER INTERNATIONAL

401(k) SAVINGS PLAN

Notes to Financial Statements

Participants' Accounts

Participant and Company matching contributions are invested in accordance with participants' elections in the following funds:

Fund Options	Primarily invests in:
Fidelity Retirement Money Market Portfolio	Money market funds
PIMCO Total Return Fund	Intermediate-term mortgage, corporate, government and foreign bonds
Vanguard Inflation Protected Securities Fund	Intermediate-term government bonds
American Beacon Large Cap Value Fund	Equities of large-cap domestic companies
Fidelity Contrafund	Equities of domestic and foreign companies
American Funds EuroPacific Growth Fund	Equities of foreign companies
Neuberger Berman Genesis Fund	Equities of small and mid-cap companies
Buffalo Small Cap Fund	Equities of small-cap domestic companies
Spartan 500 Index Fund	Equities of companies included in the S&P 500 Index
Spartan Extended Market Index Fund	Equities of companies included in the Dow Jones U.S. Completion Total Stock Market Index
Fidelity Freedom Funds	Fidelity equity, fixed-income and short-term mutual funds
Dreyfus/The Boston Company Small Cap Value Fund	Equities of small-cap domestic companies
Brinker Common Stock Fund	Brinker common stock and short-term investments

Participants' accounts are adjusted with the proportionate share of gains or losses generated by their elected investment funds.

Vesting

Participants are immediately vested in both employee and employer matching contributions and the earnings thereon.

Forfeited Accounts

Forfeited account balances are used to reduce Company matching contributions. Forfeited accounts for the years ended December 31, 2012 and 2011 were not significant.

Payment of Benefits

Distributions under the Plan are made upon a participant's death, disability, retirement, or termination of employment. Benefit payments are made in the form of a single lump sum payment or a direct rollover into an Individual Retirement Account or another qualified plan.

Table of Contents

BRINKER INTERNATIONAL

401(k) SAVINGS PLAN

Notes to Financial Statements

Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum amount equal to the lesser of \$50,000 or 50% of their vested account balance. A participant may have up to two loans outstanding at a time; however, the total outstanding balance of all loans may not exceed the lesser of \$50,000 or 50% of the participant's vested account balance. Loan terms range from six months to 5 years or up to 15 years for the purchase of a primary residence. Maturities range from 2013 through 2027 as of December 31, 2012. The loans are secured by the participant's account and bear interest at a rate of 1% above the prime lending rate which is determined at the end of the month prior to the month in which the loan request is made. Interest rates on outstanding loans ranged from 4.25% to 10.50% during 2012 and 2011. Principal and interest payments are made through bi-weekly payroll deductions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared under the accrual method of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Administrative Expenses

The Company pays all administrative expenses related to the Plan for actively employed participants, except for transactional fees related to participant-directed actions on their account which are paid by the participant.

Non-employee participants are responsible for the annual administration fees for their accounts.

Investment Valuation and Income Recognition

The Plan's money market funds, mutual funds and Company common stock are stated at fair value using quoted market prices. (See Note 3 for additional disclosures).

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

Income from investments is recorded as earned on an accrual basis.

Notes Receivable from Participants

Notes receivable from participants are valued at the outstanding principal balance, which represents the exit value upon collection, either by repayment or by deemed distribution if not repaid.

Payment of Benefits

Benefits are recorded when paid.

Contributions

Participant and employer contributions are accrued in the period that payroll deductions are made from plan participants in accordance with salary deferral agreements and as such, become obligations of the Company and assets of the Plan.

Table of Contents

BRINKER INTERNATIONAL

401(k) SAVINGS PLAN

Notes to Financial Statements

3. FAIR VALUE MEASUREMENTS

Accounting Standards Codification Topic 820 “Fair Value Measurements and Disclosures” (“ASC 820”) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a three-tier hierarchy that is used to identify assets and liabilities measured at fair value. The hierarchy focuses on the inputs used to measure fair value and requires that the lowest level input be used. The three levels defined in ASC 820 are as follows:

Level 1 – observable inputs that are based upon quoted market prices for identical assets or liabilities within active markets.

- Level 2 – observable inputs other than Level 1 that are based upon quoted market prices for similar assets or liabilities, based upon quoted prices within inactive markets, or inputs other than quoted market prices that are observable through market data for substantially the full term of the asset or liability.

Level 3 – inputs that are unobservable for the particular asset or liability due to little or no market activity and are significant to the fair value of the asset or liability. These inputs reflect assumptions that market participants would use when valuing the particular asset or liability.

The methodologies used to measure the fair value of each major category of assets and liabilities are as follows:

Money Market funds are valued based on the short-term cash component as of the measurement date and classified within Level 1 of the valuation hierarchy.

- Mutual funds are valued at the total market value of the underlying assets provided by the trustee of the Plan and are classified within Level 1 of the valuation hierarchy.

Brinker common stock fund is valued at the combined market value of the underlying stock based upon the closing price of the stock on its primary exchange times the number of shares held and the short-term cash component as of the measurement date and classified within Level 1 of the valuation hierarchy.

These methodologies were consistently applied as of December 31, 2012 and 2011.

The following table presents the fair value of financial instruments as of December 31, 2012 and 2011 by type of asset. The Plan has no assets or liabilities that are classified as Level 2 or Level 3 as of December 31, 2012 and 2011.

	2012	2011
Money market	\$8,634,177	\$9,096,385
Mutual funds:		
Mid/Large cap stocks	71,456,420	57,832,899
Small cap stocks	23,310,439	20,976,081
International stocks	14,000,453	12,284,768
Fixed income	16,229,945	13,441,251
Total mutual funds	124,997,257	104,534,999
Brinker common stock fund	19,037,766	16,315,577
Total investments at fair value	\$152,669,200	\$129,946,961

Table of Contents

BRINKER INTERNATIONAL

401(k) SAVINGS PLAN

Notes to Financial Statements

4. INVESTMENTS

Individual investments that represent 5% or more of the Plan's net assets available for benefits as of December 31, 2012 and 2011 were as follows:

	2012	2011
Investments at fair value:		
Fidelity Contrafund	\$22,358,773	\$19,744,877
Brinker Common Stock Fund	19,037,766	16,315,577
American Funds EuroPacific Growth Fund	14,000,453	12,284,768
Neuberger Berman Genesis Fund	13,247,134	12,705,144
PIMCO Total Return Fund	13,090,556	11,123,108
Spartan 500 Index Fund	8,785,627	7,452,472
Fidelity Retirement Money Market Portfolio	8,634,177	9,096,385
American Beacon Large Cap Value Fund	8,510,838	7,110,724
Appreciation/(Depreciation) (including gains and losses on investments bought and sold, as well as held during the years) on investments was as follows:		

	2012	2011
Mutual funds	\$12,104,101	\$(4,446,034)
Brinker common stock fund	2,536,697	3,609,707
	\$14,640,798	\$(836,327)

5. RELATED-PARTY TRANSACTIONS

Certain Plan investments consist of common stock of the Company and mutual funds managed by the Trustee. Transactions involving these investments qualify as party-in-interest transactions. All of these party-in-interest transactions are exempt from the prohibited transaction rules.

6. CONCENTRATION

At December 31, 2012 and 2011, the Brinker Common Stock Fund approximated \$19.0 million and \$16.3 million, respectively, and represented approximately 12.5% and 12.6%, respectively, of the Plan's total investments at fair value.

7. PLAN TERMINATION

Although it has no present intention to do so, the Company may terminate the Plan at any time subject to the provisions of ERISA.

8. INCOME TAX STATUS

The Internal Revenue Service has determined and informed the Company by a letter dated January 21, 2009, that the Plan and related trust are designed in accordance with applicable sections of the IRC. Although the Plan has been amended since receiving the determination letter, the Plan Administrator believes the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC. Therefore, the Plan Administrator believes the Plan is qualified and the related Trust is tax-exempt as of the financial statement date.

Table of Contents

BRINKER INTERNATIONAL

401(k) SAVINGS PLAN

Notes to Financial Statements

9. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits. It is not possible at this time to reasonably estimate the possible loss or range of loss, if any. We further caution that it is not possible to see all such factors, and you should not consider the identified factors as a complete list of all risks and uncertainties.

10. SUBSEQUENT EVENTS

In preparing the accompanying financial statements, management of the Plan has evaluated all subsequent events and transactions for potential recognition or disclosure through June 24, 2013, the date the financial statements were available for issuance.

Table of Contents

EIN: 75-2354902

PLAN # 001

BRINKER INTERNATIONAL

401(k) SAVINGS PLAN

Form 5500 Schedule H, line 4i – Schedule of Assets (Held at End of Year)

December 31, 2012

(a) (b)	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Market Value
Identity of issue, borrower, lessor or similar party		
Money market:		
* Fidelity Retirement Money Market Portfolio	8,634,177 shares	\$8,634,177
Mutual funds:		
* Fidelity Contrafund	288,463 shares	22,358,773
American Funds EuroPacific Growth Fund	339,982 shares	14,000,453
Neuberger Berman Genesis Fund	261,388 shares	13,247,134
PIMCO Total Return Fund	1,164,640 shares	13,090,556
* Spartan 500 Index Fund	174,007 shares	8,785,627
American Beacon Large Cap Value Fund	393,292 shares	8,510,838
* Fidelity Freedom 2040 Fund	487,624 shares	6,782,850
Buffalo Small Cap Fund	194,672 shares	5,483,909
* Fidelity Freedom 2025 Fund	392,500 shares	5,330,143
* Fidelity Freedom 2035 Fund	382,968 shares	5,311,769
* Fidelity Freedom 2030 Fund	349,183 shares	4,790,792
Dreyfus/The Boston Company Small Cap Value Fund	174,853 shares	4,579,396
* Fidelity Freedom 2020 Fund	217,709 shares	2,915,122
* Fidelity Freedom 2045 Fund	190,726 shares	2,687,331
Vanguard Inflation Protected Securities Fund	135,378 shares	1,967,040
* Fidelity Freedom 2050 Fund	138,159 shares	1,950,812
* Fidelity Freedom 2010 Fund	92,209 shares	1,187,654
* Fidelity Freedom Income Fund	76,979 shares	899,111
* Fidelity Freedom 2015 Fund	65,165 shares	844,534
* Fidelity Freedom 2005 Fund	21,634 shares	273,238
* Fidelity Freedom 2055 Fund	18 shares	175
		124,997,257
* Brinker Common Stock Fund (Cost Basis \$13,097,988)	615,874 shares	19,037,766
* Participant Loans (Cost Basis \$0)	Interest rates from 4.25% to 9.25% and maturity dates from 2013 through 2027	7,834,301
Total		\$160,503,501

* Party-in-interest

Cost column not required – participant directed

See accompanying report of independent registered public accounting firm.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

BRINKER INTERNATIONAL, INC.
401(k) SAVINGS PLAN AND TRUST

Date: June 24, 2013

By: /s/ Marie Perry
Marie Perry,
Plan Administrator