

BRINKER INTERNATIONAL INC

Form 11-K

May 22, 2014

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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, 2013

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

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\* 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.

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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, 2013 and 2012, 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, 2013 and 2012, 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

May 22, 2014

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BRINKER INTERNATIONAL

401(k) SAVINGS PLAN

Statements of Net Assets Available for Benefits

December 31, 2013 and 2012

	2013	2012
Investments – at fair value (Note 3):		
Money market	\$9,348,293	\$8,634,177
Mutual funds	158,682,825	124,997,257
Brinker common stock fund	25,836,061	19,037,766
	193,867,179	152,669,200
Receivables:		
Employer contributions	239,558	225,269
Participants' contributions	224,583	199,754
Notes receivable from participants	8,975,911	7,834,301
	9,440,052	8,259,324
Net assets available for benefits	\$203,307,231	\$160,928,524
See accompanying notes to financial statements.		

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## BRINKER INTERNATIONAL

## 401(k) SAVINGS PLAN

## Statements of Changes in Net Assets Available for Benefits

Years Ended December 31, 2013 and 2012

	2013	2012
Additions:		
Contributions:		
Participants	\$13,185,612	\$12,903,224
Rollovers	678,478	425,927
Employer	7,269,682	7,121,113
	21,133,772	20,450,264
Investment income:		
Net appreciation in fair value of investments	33,434,360	14,640,798
Interest and dividends	7,352,364	3,945,327
	40,786,724	18,586,125
Interest on notes receivable from participants	338,652	313,319
Total additions	62,259,148	39,349,708
Deductions:		
Benefits paid to participants	19,880,441	15,923,795
Net increase	42,378,707	23,425,913
Net assets available for benefits at beginning of year	160,928,524	137,502,611
Net assets available for benefits at end of year	\$203,307,231	\$160,928,524
See accompanying notes to financial statements.		

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BRINKER INTERNATIONAL

401(k) SAVINGS PLAN

Notes to Financial Statements

December 31, 2013 and 2012

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.

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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, 2013 and 2012 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.





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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 2014 through 2028 as of December 31, 2013. 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 9.25% during 2013 and 2012. 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 in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Reclassifications

Certain reclassifications have been made to the 2012 amounts in the notes to financial statements to conform to the 2013 presentation as it relates to fair value measurements. These reclassifications have no effect on the Plan's change in net assets available for benefits or net assets available for benefits as previously reported.

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401(k) SAVINGS PLAN

Notes to Financial Statements

### 3. FAIR VALUE MEASUREMENTS

U.S. GAAP 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 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, 2013 and 2012.

The following table presents the fair value of financial instruments as of December 31, 2013 and 2012 by type of asset. The Plan has no assets or liabilities that are classified as Level 2 or Level 3 as of December 31, 2013 and 2012.

	2013	2012
Money market	\$9,348,293	\$8,634,177
Mutual funds:		
Mid/Large cap stocks	112,385,772	83,515,900
International stocks	16,015,714	14,000,453
Fixed income	15,532,958	17,417,599
Small cap stocks	14,748,381	10,063,305
Total mutual funds	158,682,825	124,997,257
Brinker common stock fund	25,836,061	19,037,766
Total investments at fair value	\$193,867,179	\$152,669,200

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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, 2013 and 2012 were as follows:

	2013	2012
Investments at fair value:		
Fidelity Contrafund	\$29,012,074	\$22,358,773
Brinker Common Stock Fund	25,836,061	19,037,766
Neuberger Berman Genesis Fund	17,036,508	13,247,134
American Funds EuroPacific Growth Fund	16,015,714	14,000,453
PIMCO Total Return Fund	11,813,801	13,090,556
Spartan 500 Index Fund	11,799,976	8,785,627
American Beacon Large Cap Value Fund	11,187,760	8,510,838
Fidelity Retirement Money Market Portfolio	9,348,293	8,634,177
Appreciation (including gains and losses on investments bought and sold, as well as held during the years) on investments was as follows:		

	2013	2012
Mutual funds	\$24,538,465	\$12,104,101
Brinker common stock fund	8,895,895	2,536,697
	\$33,434,360	\$14,640,798

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, 2013 and 2012, the Brinker Common Stock Fund approximated \$25.8 million and \$19.0 million, respectively, and represented approximately 13.3% and 12.5%, 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

In December 2011, the Plan adopted a volume submitter plan document. The sponsor of the volume submitter plan document has received an opinion letter from the IRS dated March 31, 2008, stating that the form of the underlying volume submitter document is qualified under Section 401 of the IRC and that any employer adopting this form of the plan will be considered to have a plan qualified under Section 401(a) of the IRC. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualified status. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the IRC and, therefore, believes the Plan is qualified and the related Trust is tax-exempt as of the financial statement date.

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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 May 22, 2014, the date the financial statements were available for issuance.

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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, 2013

(a) (b)	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Market Value
Money market:		
* Fidelity Retirement Money Market Portfolio	9,348,293 shares	\$9,348,293
Mutual funds:		
* Fidelity Contrafund	301,989 shares	29,012,074
Neuberger Berman Genesis Fund	263,927 shares	17,036,508
American Funds EuroPacific Growth Fund	326,651 shares	16,015,714
PIMCO Total Return Fund	1,105,126 shares	11,813,801
* Spartan 500 Index Fund	180,180 shares	11,799,976
American Beacon Large Cap Value Fund	389,139 shares	11,187,760
* Fidelity Freedom 2040 Fund	560,568 shares	9,232,547
Buffalo Small Cap Fund	218,889 shares	8,168,955
* Fidelity Freedom 2035 Fund	455,080 shares	7,454,210
* Fidelity Freedom 2025 Fund	434,231 shares	6,734,917
* Fidelity Freedom 2030 Fund	415,218 shares	6,585,356
Dreyfus/The Boston Company Small Cap Value Fund	221,978 shares	6,579,426
* Fidelity Freedom 2045 Fund	256,458 shares	4,308,496
* Fidelity Freedom 2020 Fund	239,966 shares	3,570,694
* Fidelity Freedom 2050 Fund	182,162 shares	3,073,067
Vanguard Inflation Protected Securities Fund	50,126 shares	1,276,701
* Fidelity Freedom 2010 Fund	85,566 shares	1,200,485
* Spartan Extended Market Index Fund	20,376 shares	1,088,467
* Fidelity Freedom 2015 Fund	75,722 shares	1,078,283
* Fidelity Freedom Income Fund	78,243 shares	935,787
* Fidelity Freedom 2005 Fund	22,782 shares	306,184
* Fidelity Freedom 2055 Fund	18,510 shares	223,417
* Brinker Common Stock Fund	557,474 shares	158,682,825
* Participant Loans	Interest rates from 4.25% to 9.25% and maturity dates from 2014 through 2028	25,836,061 8,975,911
Total		\$202,843,090

\* Party-in-interest

Cost column not required – participant directed

See accompanying report of independent registered public accounting firm.



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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: May 22, 2014

By: /s/ Virginia Nisbet  
Virginia Nisbet,  
Plan Administrator