

BRINKER INTERNATIONAL INC

Form 11-K

May 20, 2016

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

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

For the fiscal year ended December 31, 2015

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
<u>Report of Independent Registered Public Accounting Firm</u>	1
Financial Statements:	
<u>Statements of Net Assets Available for Benefits as of December 31, 2015 and 2014</u>	2
<u>Statements of Changes in Net Assets Available for Benefits for the Years Ended December 31, 2015 and 2014</u>	3
<u>Notes to Financial Statements</u>	4
<u>Supplemental Schedule* - Form 5500 Schedule H, line 4i – Schedule of Assets (Held at End of Year) - December 31, 2015</u>	10
Exhibit 23 - Consent of Independent Registered Public Accounting Firm	12
Exhibit 99 - Certification by Virginia Nisbet, 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, 2015 and 2014, 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 Plan as of December 31, 2015 and 2014, 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. The supplemental schedule of Form 5500, Schedule H, Line 4i - Schedule of Assets (Held at End of Year) has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental schedule reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental information schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Whitley Penn LLP

Dallas, Texas

May 20, 2016

Table of Contents

BRINKER INTERNATIONAL  
 401(k) SAVINGS PLAN  
 Statements of Net Assets Available for Benefits  
 December 31, 2015 and 2014

	2015	2014
Investments – at fair value (Note 3):		
Money market	\$ 10,596,356	\$ 8,881,423
Mutual funds	182,075,700	171,003,479
Brinker common stock fund	25,138,391	31,983,918
	217,810,447	211,868,820
Receivables:		
Employer contributions	458,529	503,729
Participants’ contributions	262,612	399,662
Notes receivable from participants	10,608,193	9,560,664
	11,329,334	10,464,055
Net assets available for benefits	\$ 229,139,781	\$ 222,332,875
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, 2015 and 2014

	2015	2014
Additions:		
Contributions:		
Participants	\$16,118,263	\$14,123,914
Rollovers	455,441	1,123,824
Employer	8,655,957	7,924,668
	25,229,661	23,172,406
Investment income:		
Net (depreciation) appreciation in fair value of investments	(18,071,107 )	2,712,722
Interest and dividends	13,459,596	12,908,105
	(4,611,511 )	15,620,827
Interest on notes receivable from participants	421,572	380,271
Total additions	21,039,722	39,173,504
Deductions:		
Benefits paid to participants	20,146,520	20,147,860
Net increase	893,202	19,025,644
Assets transferred in from other qualified plan	5,913,704	—
Net assets available for benefits at beginning of year	222,332,875	203,307,231
Net assets available for benefits at end of year	\$229,139,781	\$222,332,875
See accompanying notes to financial statements.		

Table of Contents

BRINKER INTERNATIONAL  
401(k) SAVINGS PLAN  
Notes to Financial Statements

December 31, 2015 and 2014

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 1, 2014, 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.

During 2015, net assets of \$5.9 million were transferred into the Plan due to the Company's acquisition of Pepper Dining Holding Corp.

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-cap domestic companies
Buffalo Small Cap Fund	Equities of small-cap domestic companies
Dreyfus/The Boston Company Small Cap Value Fund	Equities of small-cap domestic companies
Fidelity Small Cap Growth 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
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, 2015 and 2014 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.

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 2016 through 2030 as of December 31, 2015. 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 2015 and 2014. Principal and interest payments are made through bi-weekly payroll deductions.



Table of Contents

BRINKER INTERNATIONAL

401(k) SAVINGS PLAN

Notes to Financial Statements

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 2014 amounts in the notes to financial statements to conform to the 2015 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.

New Accounting Pronouncement

In July 2015, the Financial Accounting Standards Board issued Accounting Standard Update ("ASU") 2015-12, Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient. Parts I and III are not applicable to the Plan. Part II eliminates the requirements to disclose individual investments that represent 5 percent or more of net assets available for benefits and the net appreciation or depreciation in fair value of investments by general type. Part II also simplifies the level of disaggregation of investments that are measured using fair value. Plans will continue to disaggregate investments that are measured using fair value by general type; however, plans are no longer required to also disaggregate investments by nature, characteristics and risks. Further, the disclosure of information about fair value measurements shall be provided by general type of plan asset. The ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. Part II is to be applied retrospectively. Plan management has elected to adopt Part II for fiscal year 2016.

Table of Contents

BRINKER INTERNATIONAL

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, 2015 and 2014.

The following table presents the fair value of financial instruments as of December 31, 2015 and 2014 by type of asset. The Plan has no assets or liabilities that are classified as Level 2 or Level 3 as of December 31, 2015 and 2014.

	2015	2014
Money market	\$ 10,596,356	\$ 8,881,423
Mutual funds:		
Mid/Large cap stocks	122,886,741	110,900,404
Fixed income	16,585,002	16,104,447
International stocks	15,205,061	15,328,322
Small cap stocks	27,398,896	28,670,306
Total mutual funds	182,075,700	171,003,479
Brinker common stock fund	25,138,391	31,983,918
Total investments at fair value	\$ 217,810,447	\$ 211,868,820

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, 2015 and 2014 were as follows:

	2015	2014
Investments at fair value:		
Fidelity Contrafund	\$34,105,825	\$30,766,144
Brinker Common Stock Fund	25,138,391	31,983,918
American Funds EuroPacific Growth Fund	15,205,061	15,328,322
Spartan 500 Index Fund	15,073,104	14,558,816
Neuberger Berman Genesis Fund	14,909,408	15,321,882
PIMCO Total Return Fund	13,140,168	12,118,658
Fidelity Freedom 2040 Fund	12,883,701	11,077,539 (a)
American Beacon Large Cap Value Fund	10,885,191	(a)12,193,271

(a) The investment balance is less than 5% of the Plan's net assets available for benefits and is shown for comparative purposes only.

(Depreciation)/Appreciation (including gains and losses on investments bought and sold, as well as held during the years) on investments was as follows:

	2015	2014
Mutual funds	\$(12,495,942)	\$(4,192,776)
Brinker common stock fund	(5,575,165 )	6,905,498
	\$(18,071,107)	\$2,712,722

**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, 2015 and 2014, the Brinker Common Stock Fund approximated \$25.1 million and \$32.0 million, respectively, and represented approximately 11.5% and 15.1%, 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 advisory letter from the IRS dated March 31, 2014, 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.



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 May 20, 2016, the date the financial statements were available for issuance.



American Beacon Large Cap Value Fund * Fidelity Freedom 2035	445,020 726,529	shares	10,885,191
Fund * Fidelity Freedom 2030	652,202	shares	9,346,049
Fund * Fidelity Freedom 2025	582,526	shares	8,213,610
Fund * Fidelity Freedom 2045	471,548	shares	7,172,249
Fund Buffalo Small Cap	376,197	shares	6,639,880
Fund Dreyfus/The Boston Company Small Cap Value Fund * Fidelity Freedom 2050	282,331 364,057	shares	5,824,490
Fund * Fidelity Freedom 2020	284,365	shares	3,844,610
Fund * Spartan Extended Market Index Fund * Fidelity Freedom 2055	41,738 150,439	shares	2,095,259
Fund	55,017	shares	1,386,983

Vanguard Inflation Protected Securities Fund * Fidelity Freedom 2015	92,648	shares	1,185,900
Fund * Fidelity Freedom 2010	79,523	shares	981,310
Fund * Fidelity Freedom Income	64,538	shares	733,146
Fund * Fidelity Freedom 2005	27,738	shares	343,395
Fund * Fidelity Freedom 2060	7,011	shares	69,197
Fund * Fidelity Small Cap Growth Fund	1,343	shares	25,118
			182,075,700
* Brinker Common Stock Fund *	528,274	shares	25,138,391
Participant Loans	Interest rates from 4.25% to 9.25% and maturity dates from 2016 through 2030		10,608,193
Total			\$228,418,640
* 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

Date: May 20, 2016 By: /s/ Virginia  
Nisbet  
Virginia  
Nisbet,  
Plan  
Administrator