UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended June 28, 2000 Commission File No. 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)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class
Common Stock, $0.10 par value
Stock Purchase Rights

Securities registered pursuant to Section 12(g) of the Act: None

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 X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ___

The aggregate market value of the voting stock held by persons other than directors and officers of registrant (who might be deemed to be affiliates of registrant) at September 11, 2000 was $2,065,032,129.

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 September 11, 2000
Common Stock, $0.10 par value	66,056,817 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Annual Report to Shareholders for the fiscal year ended June 28, 2000 are incorporated by reference into Parts I, II and IV hereof, to the extent indicated herein. Portions of the registrant's Proxy Statement dated September 22, 2000, for its annual meeting of shareholders on November 9, 2000, are incorporated by reference into Part III hereof, to the extent indicated herein.

PART I

Item 1. BUSINESS.

General

Brinker International, Inc. ("Company") is principally engaged in the ownership, operation, development and franchising of the Chili's Grill & Bar ("Chili's"), Romano's Macaroni Grill ("Macaroni Grill"), On The Border Mexican Grill & Cantina ("On The Border"), Cozymel's Coastal Mexican Grill ("Cozymel's"), Maggiano's Little Italy ("Maggiano's"), and Corner Bakery Cafe ("Corner Bakery") restaurant concepts. In addition, the Company is involved in the ownership, and is or has been involved in the development, of the Big Bowl ("Big Bowl"), Wildfire ("Wildfire"), and Eatzi's Market and Bakery ("Eatzi's") concepts. The Company was organized under the laws of the State of Delaware in September 1983 to succeed to the business operated by Chili's, Inc., a Texas corporation, organized in August 1977. The Company completed the acquisitions of Macaroni Grill, On The Border, Cozymel's, Maggiano's, and Corner Bakery in November 1989, May 1994, July 1995, August 1995, and August 1995, respectively.

Core Restaurant Concepts

Chili's Grill & Bar

Chili's is a full-service Southwestern-themed restaurant, featuring a casual atmosphere and a varied menu of chicken, beef and seafood entrees, steaks, hamburgers, ribs, fajitas, sandwiches, salads, appetizers and desserts, all of which are prepared fresh daily according to special Chili's recipes.

Chili's restaurants feature quick, efficient and friendly table service designed to minimize customer waiting time and facilitate table turnover, with an average turnover time per table of approximately 45 minutes. Service personnel are dressed casually in jeans, knit shirts and aprons to reinforce the casual, informal environment. The decor of a Chili's restaurant consists of booth seating, tile-top tables, hanging plants and wood and brick walls covered with interesting memorabilia.

Emphasis is placed on serving substantial portions of fresh, high quality food at modest prices. Entree selections range in menu price from $5.29 to $13.99, with the average revenue per meal, including alcoholic beverages, approximating $10.38 per person. A full-service bar is available at each Chili's restaurant, with frozen margaritas offered as the concept's specialty drink. During the year ended June 28, 2000, food and non-alcoholic beverage sales constituted approximately 86.3% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 13.7%.

Romano's Macaroni Grill

Macaroni Grill is a casual, country-style Italian restaurant which specializes in family-style recipes and features seafood, meat, chicken, pasta, salads, pizza, appetizers and desserts with a full-service bar in most restaurants. Exhibition cooking, pizza ovens and rotisseries provide an enthusiastic and exciting environment in the restaurants. Macaroni Grill restaurants also feature white linen-clothed tables, fireplaces, sous stations and prominent displays of wines. Service personnel are dressed in white, starched shirts and aprons, dark slacks, and bright ties.

Entree selections range in menu price from $5.29 to $16.99 with certain specialty items priced on a daily basis. The average revenue per meal, including alcoholic beverages, is approximately $13.73 per person. During the year ended June 28, 2000, food and non-alcoholic beverage sales constituted approximately 86.1% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 13.9%.

On The Border Mexican Grill & Cantina

On The Border restaurants are full-service, casual Mexican restaurants featuring mesquite-grilled specialties and traditional Tex-Mex entrees and appetizers served in generous portions at modest prices. On The Border restaurants feature an outdoor patio, a full-service bar, booth and table seating and brick and wood walls with a Southwest decor. On The Border restaurants also offer enthusiastic table service intended to minimize customer waiting time and facilitate table turnover while simultaneously providing customers with a satisfying casual dining experience.

Entree selections range in menu price from $4.99 to $12.99, with the average revenue per meal, including alcoholic beverages, approximating $12.40 per person. During the year ended June 28, 2000, food and non-alcoholic beverage sales constituted approximately 78.2% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 21.8%.

Cozymel's Coastal Mexican Grill

Cozymel's restaurants are casual, upscale coastal Mexican restaurants featuring daily fresh fish features, grilled chicken and beef, and slow-roasted pork entrees, appetizers, desserts and a full-service bar featuring a wide variety of signature margaritas and specialty frozen beverages. Cozymel's restaurants offer a "tropical, not typical" Mexican atmosphere, which includes an outdoor patio, intended to evoke the atmosphere of a coastal Mexican seaside resort.

Entree selections range in menu price from $5.99 to $19.99 with the average revenue per meal, including alcoholic beverages, approximating $14.59 per person. During the year ended June 28, 2000, food and non-alcoholic beverage sales constituted approximately 74.9% of the concept's total restaurant revenues, with alcoholic beverages accounting for the remaining 25.1%.

Maggiano's Little Italy

Maggiano's restaurants are classic re-creations of a New York City pre-war "Little Italy" dinner house. Each of the Maggiano's restaurants is a casual, full-service Italian restaurant with a family-style menu as well as a full lunch and dinner menu offering southern Italian appetizers, homemade bread, bountiful portions of pasta, chicken, seafood, veal and prime steaks, as well as a full range of alcoholic beverages. Most Maggiano's restaurants also feature extensive banquet facilities. Entree selections range in menu price from $7.95 to $29.95, with the average revenue per meal, including alcoholic beverages, approximating $25.29 per person. During the year ended June 28, 2000, food and non-alcoholic beverage sales constituted approximately 78.3% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 21.7%.

Corner Bakery Cafe

Corner Bakery is a retail bakery cafe serving breakfast, lunch and dinner in the emerging fast-casual dining segment. Corner Bakery offers fresh muffins, brownies, cookies and specialty items, as well as hearth-baked breads, rolls and baguettes, all of which are created daily by artisan bakers. The breads offered by Corner Bakery include crusty country boules, and specialty breads such as raisin-pecan, Kalamata olive ciabatta, cranberry-orange, multi-grain harvest, and ryes.

While retaining a relaxed atmosphere, Corner Bakery exemplifies casual elegance, with most bakeries having both indoor and outdoor seating. In addition to breads, breakfast and dessert sweets, featured in the cafes are specialty sandwiches, fresh salads, warm soups, paninis, pasta and pizzas. New savory foods, breads and sweets are created seasonally to take advantage of the highest quality ingredients available. Corner Bakery's catering group offers a wide range of gift baskets, breakfast and sandwich trays and lunch boxes for any size meeting or social event. Prices for menu items range from $1.00 to $7.99 with the average revenue per meal, including alcoholic beverages, approximating $8.27 per person. During the year ended June 28, 2000, food and non-alcoholic beverage sales constituted over 99% of the concept's total restaurant revenues. Catering sales constituted approximately 14.5% of such food and non-alcoholic beverage sales.

Jointly-Developed Restaurant Concepts

Big Bowl

Big Bowl features contemporary Asian cuisine prepared with fresh ingredients in a casual, vibrant atmosphere. Big Bowl is distinguished by its authentic, full-flavored menu that features five kinds of fresh noodles, chicken pot stickers and dumplings, hand-rolled summer rolls, seasonal stir-fry dishes featuring local produce, wok-seared fish, and signature beverages, such as "homemade" fresh ginger ale and tropical cocktails. Big Bowl's focus on quality means garlic, ginger and lemon grass are chopped daily, lemon juice is hand squeezed, and peanut sauce is prepared with home-roasted peanuts. Big Bowl's flavorful broths, curry pastes, dip sauces and condiments are made from scratch. Big Bowl's interactive stir-fry bar allows the guests to help themselves to a "Farmers' Market" array of vegetables to be wok-cooked with their own choice of sauces and meats with noodles or rice.

While honoring its Asian culinary tradition, Big Bowl strives to deliver fine quality at great value, assisted by a service team carefully trained to guide guests through this new culinary experience. Entree selections range in menu price from $6.95 to $12.95, with the average revenue per meal, including alcoholic beverages, approximating $13.68 per person. During the year ended June 28, 2000, food and non-alcoholic beverage sales constituted approximately 87.2% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 12.8%.

Wildfire

Wildfire restaurants are authentic 1940's style steak houses featuring an open kitchen consisting of a hardwood burning oven and rotisserie. Each of the Wildfire restaurants is a casual, full-service restaurant offering broiled steaks, chops, fresh seafood, barbecued ribs, pizza, spit-roasted chicken, salads to share, and a full line of cocktails with a complete wine list to complement the menu. Entree selections range from $12.95 to $26.95, with the average revenue per meal, including alcoholic beverages, approximating $22.18 per person. During the year ended June 28, 2000, food and non-alcoholic beverage sales constituted approximately 78.0% of the concept's total restaurant revenues, with alcoholic beverages accounting for the remaining 22.0%.

Eatzi's Market and Bakery

Eatzi's is a home meal replacement retail market, which offers customers just about everything in the meal spectrum, from fresh produce and raw meats and seafood to restaurant-quality, chef-prepared meals-to-go. Eatzi's also provides a tremendous variety of "made from scratch" breads and pastries along with dry groceries, deli meats and cheeses, made-to-order salads and sandwiches, a coffee bar, and fresh cut flowers. Large selections of non-alcoholic beverages, wine, and beer are available to complete the meal. Specialty packaged items, specifically selected to complement the fresh choices, are also available.

Eatzi's features an abundance of fresh, high-quality meals, openly presented in distinctive areas, replicating an energetic European marketplace with an exhibition kitchen and bakery. The circular chef's display case is the focal point of the store designed to channel customer traffic around to other departments. There is limited indoor and outdoor seating since the emphasis is on take-out purchases.

Emphasis is placed on restaurant-quality cuisine, prepared fresh daily by highly skilled and culinary-trained chefs using Eatzi's unique recipes. Certain designated menu items are rotated weekly to provide variety and to augment the core menu. Corporate chefs are constantly developing and testing new recipes to ensure high-quality and ample variety in addition to keeping ahead of the customer's changing taste profiles. Individual meal selections range in price from $4.99 to $10.99 with the average revenue per purchase, including alcoholic beverages, approximating $17.49. During the year ended June 28, 2000, food and non-alcoholic beverage sales constituted 95.0% of the concept's total revenues, with alcoholic beverages accounting for the remaining 5.0%. Catering sales constituted approximately 18.6% of such food and non-alcoholic beverage sales.

Business Development

The Company's long-term objective is to continue expansion of its restaurant concepts by opening Company-operated units in strategically desirable markets. The Company intends to concentrate on development of certain identified markets to achieve penetration levels deemed desirable by the Company in order to improve the Company's competitive position, marketing potential and profitability. Expansion efforts will be focused not only on major metropolitan areas in the United States but also on smaller market areas and nontraditional locations (such as airports, kiosks and food courts) which can adequately support any of the Company's restaurant concepts.

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 site selection process focuses on a variety of factors including: trading-area demographics, such as target population density and household income levels; an evaluation of site characteristics such as visibility, accessibility and traffic volume; proximity to activity centers such as shopping malls, hotel/motel complexes and offices; and an analysis of the potential competition. Members of management inspect and approve each restaurant site prior to its acquisition.

The Company periodically reevaluates restaurant sites to ensure that site selection attributes have not deteriorated below minimum standards. In the event site deterioration were to occur, the Company makes a concerted effort to improve the restaurant's performance by providing physical, operating and marketing enhancements unique to each restaurant's situation. If efforts to restore the restaurant's performance to acceptable minimum standards are unsuccessful, the Company considers relocation to a proximate, more desirable site, or evaluates closing the restaurant if the Company's criteria, such as return on investment and area demographic data, do not support a relocation. Since inception, the Company has closed thirty-five restaurants, including eleven in fiscal 2000, which were performing below the Company's standards primarily due to declining trading-area demographics. The Company operates pursuant to a strategic plan targeted to support the Company's long-term growth objectives, with a focus on continued development of those restaurant concepts that have the greatest return potential for the Company and its shareholders.

The following table illustrates the system-wide restaurants opened in fiscal 2000 and the planned openings in fiscal 2001:

	Fiscal 2000 Openings	Fiscal 2001 Projected Openings
Chili's:		
Company-Operated	35	37-40
Franchise	33	42-45
Macaroni Grill:		
Company-Operated	17	17-20
Franchise	1	1-3
On The Border:		
Company-Operated	15	8-11
Franchise	7	4-6
Cozymel's	0	1-2
Maggiano's	2	2-3
Corner Bakery:		
Company-Operated	7	7-10
Franchise	1	0
Big Bowl	2	2-3
TOTAL	120	121-143

The Company anticipates that some of the fiscal 2001 projected restaurant openings will be constructed pursuant to "build-to-suit" agreements, in which the lessor contributes the land cost and all, or substantially all, of the building construction costs. In other cases, the Company may either lease or own the land (paying for any owned land from its own funds) and either lease or own the building, furniture, fixtures and equipment (paying for any owned items from its own funds).

The following table illustrates the approximate average capital investment for a typical unit in the Company's primary restaurant concepts:

	Chili's	Macaroni Grill	On The Border	Cozymel's	Maggiano's	Corner Bakery
Land	$ 600,000	$1,000,000	$ 750,000	$1,000,000	$3,000,000	$ 800,000
Building	1,080,000	1,400,000	1,300,000	1,500,000	3,300,000	570,000
Furniture & Equipment	450,000	565,000	615,000	700,000	1,200,000	300,000
Other	60,000	100,000	65,000	100,000	130,000	25,000
TOTAL	$2,190,000	$3,065,000	$2,730,000	$3,300,000	$7,630,000	$1,695,000

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.

Franchise Operations

The Company intends to continue its expansion through joint venture and franchise development, both domestically and internationally. At June 28, 2000, forty-one total joint venture or franchise development agreements existed. During the year ended June 28, 2000, thirty-three Chili's, one Macaroni Grill, seven On The Border, and one Corner Bakery franchised restaurants were opened.

The Company has entered into international franchise agreements, which will bring Chili's to Qatar and Macaroni Grill to Puerto Rico in the 2001 fiscal year. In fiscal 2000, the first Chili's restaurants opened in Guatemala (November 1999) and Saudi Arabia (November 1999), and the first Macaroni Grill restaurant opened in Mexico (January 2000).

The Company intends to selectively pursue international expansion and is currently contemplating development in other countries. A typical franchise development agreement provides for payment of area development and initial franchise fees in addition to subsequent royalty and advertising fees based on the gross sales of each restaurant. Future franchise development agreements are expected to remain limited to enterprises having significant experience as restaurant operators and proven financial ability to develop multi-unit operations.

Jointly-Developed Operations

The Company has previously entered into agreements for research and development activities related to the testing of new restaurant concepts and has a significant equity interest in such ventures. The Company holds a 50% interest in the legal entities owning the six Big Bowl restaurants located in Chicago (3), Lincolnshire, and Schaumburg, Illinois and Edina, Minnesota and the three Wildfire restaurants located in Chicago (2) and Lincolnshire, Illinois.

Restaurant Management

The Company's philosophy to maintain and operate each concept as a distinct and separate entity ensures that the culture, recruitment and training programs and unique operating environments are preserved. These factors are critical to the viability of each concept. Each concept is directed by a president and one or more concept vice presidents and senior vice presidents.

The Company's restaurant management structure varies by concept. The individual restaurants themselves are led by a management team including a general manager and between two to five additional managers. The level of restaurant supervision depends upon the operating complexity and sales volume of each concept. An area director/supervisor is responsible for the supervision of, on average, three to seven restaurants. For those concepts with a significant number of units within a geographical region, additional levels of management may be provided.

The Company believes that there is a high correlation between the quality of restaurant management and the long-term success of a concept. In that regard, the Company encourages increased tenure at all management positions through various short and long-term incentive programs, including equity ownership. These programs, coupled with a general management philosophy emphasizing quality of life, have enabled the Company to attract and retain management employees at levels above the industry norm.

The Company ensures consistent quality standards in all concepts through the issuance of operations manuals covering all elements of operations and food and beverage manuals, which provide guidance for preparation of Company-formulated recipes. Routine visitation to the restaurants by all levels of supervision enforce strict adherence to Company standards.

The director of training for each concept is responsible for maintaining each concept's operational training program. The training program includes a four to five month training period for restaurant management trainees, a continuing management training process for managers and supervisors, and training teams consisting of groups of employees experienced in all facets of restaurant operations that train employees to open new restaurants. The training teams typically begin on-site training at a new restaurant seven to ten days prior to opening and remain on location two to three weeks following the opening to ensure the smooth transition to operating personnel.

Purchasing

The Company's ability to maintain consistent quality of products throughout each of its restaurant concepts depends upon acquiring food products and related items from reliable sources. Suppliers are pre-approved by the Company and are required, along with the restaurants, to adhere to strict product specifications established through the Company's quality assurance program to ensure that high quality, wholesome food and beverage products are served in the restaurants. The Company negotiates directly with the major suppliers to obtain competitive prices and uses purchase commitment contracts to stabilize the potentially volatile pricing associated with certain commodity items. All essential food and beverage products are available, or upon short notice can be made available, from alternative qualified suppliers in all cities in which the Company's restaurants are located. Because of the relatively rapid turnover of perishable food products, inventories in the restaurants, consisting primarily of food, beverages and supplies, have a modest aggregate dollar value in relation to revenues.

Advertising and Marketing

The Company's concepts generally focus on the eighteen to fifty-four year old age group, which constitutes approximately half of the United States population. Members of this population segment grew up on fast food, but the Company believes that, with increasing maturity, they prefer a more adult, upscale dining experience. To attract this target group, the Company relies primarily on television, radio, direct mail advertising and word-of-mouth information communicated by customers.

The Company's franchise agreements require advertising contributions to the Company to be used exclusively for the purpose of maintaining, directly administering and preparing standardized advertising and promotional activities. Franchisees spend additional amounts on local advertising when approved by the Company.

Employees

At June 28, 2000, the Company employed approximately 68,000 persons, of whom approximately 900 were corporate personnel, 4,100 were restaurant area directors, managers or trainees and 63,000 were employed in non-management restaurant positions. The executive officers of the Company have an average of approximately twenty-two years of experience in the restaurant industry.

The Company considers its employee relations to be good and believes that its employee turnover rate is commensurate with the industry average. Most employees, other than restaurant management and corporate personnel, are paid on an hourly basis. The Company believes that it provides working conditions and wages that compare favorably with those of its competition. The Company's employees are not covered by any collective bargaining agreements.

Trademarks

The Company has registered, among other marks, "Big Bowl", "Brinker International", "Chili's", "Chili's Grill & Bar", "Chili's Too", "Chili's Bar & Bites", "Chili's Southwest Grill & Bar", "Corner Bakery", "Cozymel's", "Cozymel's Coastal Mexican Grill", "Eatzi's", "Eatzi's Market & Bakery", "Romano's Macaroni Grill", "Macaroni Grill", "Maggiano's Little Italy", "On The Border", "On The Border Mexican Cafe", "Pizzaahhh!", and "Wildfire" as trademarks with the United States Patent and Trademark Office.

Risk Factors/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 communications, as well as oral forward-looking statements made from time to time by representatives of the Company. Such forward-looking statements involve risks and uncertainties, 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.

Competition. The restaurant business is highly competitive with respect to price, service, restaurant location 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.

Seasonality. The Company's sales volumes fluctuate seasonally, and are generally higher in the summer months and lower in the winter months.

Governmental Regulations. 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 and/or municipality in which the restaurant is located. The Company has not encountered any difficulties or failures in obtaining the required licenses or approvals that could delay or prevent the opening of a new restaurant and does not, at this time, anticipate any occurring in the future.

The Company is subject to federal and state environmental regulations, but these have not had a material negative effect on the Company's operations. 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 American With Disabilities Act and various family leave mandates. Although the Company expects increases in payroll expenses as a result of federal and state mandated increases in the minimum wage, such increases are not expected to be material. However, the Company is uncertain of the repercussion, if any, on other expenses as vendors are impacted by higher minimum wage standards.

Inflation. 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 or by reviewing, then implementing, alternative products or processes.

Other Risk Factors. 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, and weather and other acts of God.

Item 2. PROPERTIES.

Restaurant Locations

At June 28, 2000, the Company's system of company-operated, jointly-developed and franchised units included 1,038 restaurants located in forty-seven states, Washington, D.C., Australia, Austria, Bahrain, Canada, Egypt, Great Britain, Guatemala, Indonesia, Kuwait, Lebanon, Malaysia, Mexico, Peru, Philippines, Puerto Rico, Saudi Arabia, South Korea, United Arab Emirates, and Venezuela. The Company's portfolio of restaurants is illustrated below:

Chili's:	
Company-Operated	466
Franchise	219
Macaroni Grill:	
Company-Operated	145
Franchise	4
On The Border:	
Company-Operated	82
Franchise	27
Cozymel's	13
Maggiano's	12
Corner Bakery:	
Company-Operated	56
Franchise	1
Big Bowl	6
Wildfire	3
Eatzi's	4
TOTAL	1,038

The 685 Chili's restaurants include domestic locations in forty-seven states and the District of Columbia and foreign locations in nineteen countries. The 149 Macaroni Grill restaurants include domestic locations in thirty-six states and foreign locations in Canada, Great Britain and Mexico. The On The Border, Cozymel's, Maggiano's, Corner Bakery, Big Bowl and Wildfire restaurants, and Eatzi's markets, are located exclusively within the United States in thirty, eight, seven (and the District of Columbia), seven (and the District of Columbia), two, one, and three states, respectively.

Restaurant Property Information

The following table illustrates the approximate average dining capacity for each current prototypical unit in primary restaurant concepts:

	Chili's	Macaroni Grill	On The Border	Cozymel's	Maggiano's
Square Feet	4,500 - 5,500	6,800 - 7,600	6,500 - 7,200	9,400	14,000 - 18,000
Dining Seats	145 - 215	250 - 275	220 - 240	380	500 - 725
Dining Tables	35 - 50	55 - 70	55 - 60	85	100 - 150

Corner Bakery's size and dining capacity varies based upon whether it is an in-line or kiosk location. For a Corner Bakery located in a kiosk, the square footage is 170 square feet, the number of dining seats is forty, and the number of dining tables is fifteen. For in-line Corner Bakery locations, the square footage ranges from 1,971 to 5,347, the number of dining seats ranges from 88 to 143, and the number of dining tables ranges from thirty to fifty.

Certain of the Company's restaurants are leased for an initial term of five to thirty years, with renewal terms of one to thirty years. The leases typically provide for a fixed rental plus percentage rentals based on sales volume. At June 28, 2000, the Company owned the land and/or building for 529 of the 776 Company-operated restaurants. The Company considers that its properties are suitable, adequate, well-maintained and sufficient for the operations contemplated.

Other Properties

The Company leases warehouse space totalling approximately 39,150 square feet in Carrollton, Texas, which it uses for storage of equipment and supplies. The Company purchased an office building containing approximately 105,000 square feet for its corporate headquarters in July 1989. This office building was expanded in May 1997 by the addition of a 2,470 square foot facility used for menu development activities. In January 1996, the Company purchased an additional office complex containing three buildings and approximately 198,000 square feet for the expansion of its corporate headquarters. Approximately 119,000 square feet of this complex is currently utilized by the Company, with the remaining 79,000 square feet under lease, listed for lease to third party tenants, or reserved for future expansion of the Company headquarters. In November 1997, the Company sold the office complex and is leasing it back under a twenty year operating lease. The Company also leases office space in California, Florida, Georgia, Illinois, New Jersey and Texas for use as regional operation or real estate/construction offices. The size of these office leases range from 1,000 square feet to 3,600 square feet. The Company owns or leases warehouse space in California, Georgia, Illinois, Texas and Virginia for use as commissaries for the preparation of bread and other food products for its Corner Bakery stores. The size of these commissaries range from 11,383 square feet to 20,000 square feet.

Item 3. LEGAL PROCEEDINGS.

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

None.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS.

The Company's Common Stock is traded on the New York Stock Exchange ("NYSE") under the symbol "EAT". Bid prices quoted represent interdealer prices without adjustment for retail markup, markdown and/or commissions, and may not necessarily represent actual transactions. The following table sets forth the quarterly high and low closing sales prices of the Common Stock, as reported by the NYSE.

Fiscal year ended June 28, 2000:

First Quarter	28.75	23.00
Second Quarter	27.06	20.19
Third Quarter	27.81	20.81
Fourth Quarter	35.06	26.25

Fiscal year ended June 30, 1999:

First Quarter	20.44	17.50
Second Quarter	26.63	16.00
Third Quarter	30.31	24.38
Fourth Quarter	29.63	23.56

As of September 11, 2000, there were 1,254 holders of record of the Company's Common Stock.

The Company has never paid cash dividends on its Common Stock and does not currently intend to do so as profits are reinvested into the Company to fund expansion of its restaurant business. Payment of dividends in the future will depend upon the Company's growth, profitability, financial condition and other factors, which the Board of Directors may deem relevant.

During the three-year period ended on September 11, 2000, the Company issued no securities which were not registered under the Securities Act of 1933, as amended.

Item 6. SELECTED FINANCIAL DATA.

"Selected Financial Data" on page F-2 of the Company's 2000 Annual Report to Shareholders is incorporated herein by reference.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

"Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages F-3 through F-7 of the Company's 2000 Annual Report to Shareholders is incorporated herein by reference.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

"Quantitative and Qualitative Disclosures About Market Risk" contained within "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages F-6 through F-7 of the Company's 2000 Annual Report to Shareholders is incorporated herein by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See Item 14(a)(1).

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

"Directors and Executive Officers" on pages 4 through 8 and "Section 16(a) Beneficial Ownership Reporting Compliance" on page 14 of the Company's Proxy Statement dated September 22, 2000 for the annual meeting of shareholders on November 9, 2000, are incorporated herein by reference.

Item 11. EXECUTIVE COMPENSATION INFORMATION.

"Executive Compensation" on pages 9 through 10 and "Report of the Compensation Committee" on pages 10 through 13 of the Company's Proxy Statement dated September 22, 2000, for the annual meeting of shareholders on November 9, 2000, are incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

"Principal Shareholders" on page 2 and "Security Ownership of Management and Election of Directors" on pages 3 through 4 of the Company's Proxy Statement dated September 22, 2000, for the annual meeting of shareholders on November 9, 2000, are incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

"Compensation Committee Interlocks and Insider Participation" on pages 14 through 15 of the Company's Proxy Statement dated September 22, 2000, for the annual meeting of shareholders on November 9, 2000, is incorporated herein by reference.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENTS AND REPORTS ON FORM 8-K.

(a) (1) Financial Statements.

Reference is made to the Index to Financial Statements attached hereto on page 18 for a listing of all financial statements incorporated herein from the Company's 2000 Annual Report to Shareholders.

(a) (2) Financial Statement Schedules.

None.

(a) (3) Exhibits.

Reference is made to the Exhibit Index preceding the exhibits attached hereto on page E-1 for a list of all exhibits filed as a part of this Report.

(b) Reports on Form 8-K

The Company was not required to file a current report on Form 8-K during the fiscal quarter ended June 28, 2000.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BRINKER INTERNATIONAL, INC.,
a Delaware corporation

By:___/s/______________________________
Russell G. Owens, Executive Vice President and Chief Financial and Strategic Officer

Dated: September 22, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons of the registrant and in the capacities indicated on September 22, 2000.

Name	Title
____/s/________________ Ronald A. McDougall	Vice Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
___/s/________________ Russell G. Owens	Executive Vice President and Chief Financial and Strategic Officer (Principal Financial and Accounting Officer)
___/s/________________ Norman E. Brinker	Chairman of the Board
____/s/_______________ Douglas H. Brooks	President, Chief Operating Officer and Director
___/s/_______________ Donald J. Carty	Director
____________________ Dan W. Cook, III	Director

____/s/______________ Director
Marvin J. Girouard

___/s/________________ Director
J.M. Haggar, Jr.

___/s/________________ Director
Frederick S. Humphries

___/s/________________ Director
Ronald Kirk

___/s/________________ Director
Jeffrey A. Marcus

___/s/________________ Director
James E. Oesterreicher

___/s/________________ Director
Roger T. Staubach

INDEX TO FINANCIAL STATEMENTS

The following is a listing of the financial statements which are incorporated herein by reference. The financial statements of the Company included in the Company's 2000 Annual Report to Shareholders are incorporated herein by reference in Item 8.

All schedules are omitted as the required information is inapplicable or the information is presented in the financial statements or related notes.

INDEX TO EXHIBITS

Exhibit

3(a) Certificate of Incorporation of the registrant, as amended. (1)

3(b) Bylaws of the registrant. (1)

10(a) Registrant's 1983 Incentive Stock Option Plan. (2)

10(b) Registrant's 1991 Stock Option Plan for Non-Employee Directors and Consultants. (3)

10(c) Registrant's 1992 Incentive Stock Option Plan. (3)

10(d) Registrant's Stock Option and Incentive Plan. (4)

10(e)	Registrant's 1999 Stock Option and Incentive Plan for Non-Employee Directors and Consultants. (5)
13	2000 Annual Report to Shareholders. (6)
21	Subsidiaries of the registrant. (5)
23	Independent Auditors' Consent. (5)
27	Financial Data Schedule. (7)
99	Proxy Statement of registrant dated September 22, 2000. (6)

(1) Filed as an exhibit to annual report on Form 10-K for year ended June 28, 1995 and incorporated herein by reference.

(2) Filed as an exhibit to annual report on Form 10-K for year ended June 26, 1996 and incorporated herein by reference.

(3) Filed as an exhibit to annual report on Form 10-K for year ended June 25, 1997 and incorporated herein by reference.

(4) Filed as an exhibit to annual report on Form 10-K for year ended June 30, 1999 and incorporated herein by reference.

(5) Filed herewith.

(6) Portions filed herewith, to the extent indicated herein.

(7) Filed with EDGAR version.

EXHIBIT 10(e)

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 8 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, except that the Committee may provide that if an Option or SAR is granted in tandem with, or in substitution for, an outstanding Award, the Pricing Date is the date of grant of such outstanding Award.

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.

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, or change in control).

SECTION 4

OPERATION AND ADMINISTRATION

4.1 Effective Date. Subject to the approval of the shareholders of the Company at the Company's 1999 annual meeting of its shareholders, 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 300,000.

(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) If the Exercise Price of any stock option granted under the Plan or any Prior Plan is satisfied by tendering shares of Stock to the Company (by either actual delivery or by attestation), only the number of shares of Stock issued net of the shares of Stock tendered shall be deemed delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan.

(iv) 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 is a result of the Company or a Related Company acquiring another entity (or an interest in another entity).

(b) 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.

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 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 commencement (within the meaning of Rule 14d-2 promulgated under the Exchange Act) of a "tender offer" for stock of the Company subject to Section 14(d)(2) of the Exchange Act; or

(d) the failure at any annual or special meeting of the Company's stockholders following an "election contest" subject to Rule 14a-11 promulgated under the Exchange Act, of any of the persons nominated by the Company in the proxy material mailed to stockholders by the management of the Company to win election to seats on the Board, 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.

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 lowest and highest reported sale prices of the Stock on the date in question on the principal exchange on which the Stock is then listed or admitted to trading. If no reported sale of Stock takes place on the date in question on the principal exchange, then the reported closing asked price of the Stock on such date on the principal exchange shall be determinative of "Fair Market Value."

(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 13

SELECTED FINANCIAL DATA
(In thousands, except per share amounts and number of restaurants)

	Fiscal Years					
	2000	1999(a)	1998	1997	1996	
Income Statement Data:						
Revenues	$2,159,837	$1,870,554	$1,574,414	$1,335,337	$1,162,951	
Operating Costs and Expenses:						
Cost of Sales	575,570	507,103	426,558	374,525	330,375	
Restaurant Expenses	1,197,828	1,036,573	866,143	720,769	620,441	
Depreciation and Amortization	90,647	82,385	86,376	78,754	64,611	
General and Administrative	100,123	90,311	77,407	64,404	54,271	
Restructuring Charge	-	-	-	-	50,000	
Total Operating Costs and Expenses	1,964,168	1,716,372	1,456,484	1,238,452	1,119,698	
Operating Income	195,669	154,182	117,930	96,885	43,253	
Interest Expense	10,746	9,241	11,025	9,453	4,579	
Gain on Sales of Concepts	-	-	-	-	(9,262)	
Other, Net	3,381	14,402	1,447	(3,553)	(4,201)	
Income Before Provision for Income Taxes and Cumulative Effect of Accounting Change	181,542	130,539	105,458	90,985	52,137	
Provision for Income Taxes	63,702	45,297	36,383	30,480	17,756	
Income Before Cumulative Effect of Accounting Change	117,840	85,242	69,075	60,505	34,381	
Cumulative Effect of Accounting Change	-	6,407	-	-	-	
Net Income	$ 117,840	$ 78,835	$ 69,075	$ 60,505	$ 34,381	
Basic Earnings Per Share:						
Income Before Cumulative Effect of Accounting Change	$ 1.80	$ 1.30	$ 1.05	$ 0.82	$ 0.45	
Cumulative Effect of Accounting Change	-	0.10	-	-	-	
Basic Net Income Per Share	$ 1.80	$ 1.20	$ 1.05	$ 0.82	$ 0.45	
Diluted Earnings Per Share:						
Income Before Cumulative Effect of Accounting Change	$ 1.75	$ 1.25	$ 1.02	$ 0.81	$ 0.44	
Cumulative Effect of Accounting Change	-	0.09	-	-	-	
Diluted Net Income Per Share	$ 1.75	$ 1.16	$ 1.02	$ 0.81	$ 0.44	
Basic Weighted Average Shares Outstanding	65,631	65,926	65,766	73,682	76,015	
Diluted Weighted Average Shares Outstanding	67,410	68,123	67,450	74,800	77,905	
Balance Sheet Data (End of Period):						
Working Capital Deficit	$ (127,377)	$ (86,969)	$ (92,898)		$ (36,699)	$ (35,035)
Total Assets	1,162,328	1,085,644	968,848	996,943	888,834	
Long-term Obligations	169,120	234,086	197,577	324,066	157,274	
Shareholders' Equity	762,208	661,439	593,739	523,744	608,170	
Number of Restaurants Open (End of Period):						
Company-Operated	774	707	624	556	468	
Franchised/Joint Venture	264	226	182	157	147	
Total	1,038	933	806	713	615	

(a) Fiscal year 1999 consisted of 53 weeks while all other periods presented consisted of 52 weeks.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

For an understanding of the significant factors that influenced the Company's performance during the past three fiscal years, the following discussion should be read in conjunction with the consolidated financial statements and related notes found elsewhere in this Annual Report.

The Company has a 52/53 week fiscal year ending on the last Wednesday in June. Fiscal years 2000 and 1998, which ended on June 28, 2000 and June 24, 1998, respectively, each contained 52 weeks, while fiscal year 1999, which ended on June 30, 1999, contained 53 weeks.

The Company elected early adoption of the American Institute of CPA's ("AICPA") Statement of Position 98-5 ("SOP 98-5"), "Reporting on the Costs of Start-Up Activities," during fiscal 1999. This accounting standard requires most entities to expense all start-up and preopening costs as incurred. The Company previously deferred such costs and amortized them over the twelve-month period following the opening of each restaurant. Prior to fiscal 1999, amortization of deferred preopening costs was included within depreciation and amortization expense on the consolidated statements of income. Effective with fiscal 1999, preopening costs are included in restaurant expenses on the consolidated statements of income.

RESULTS OF OPERATIONS FOR FISCAL YEARS 2000, 1999, AND 1998

The following table sets forth expenses as a percentage of total revenues for the periods indicated for revenue and expense items included in the consolidated statements of income:

	Percentage of Total Revenues Fiscal Years		
	2000	1999	1998
Revenues	100.0%	100.0%	100.0%
Operating Costs and Expenses:			
Cost of Sales	26.6%	27.1%	27.1%
Restaurant Expenses	55.5%	55.4%	55.0%
Depreciation and Amortization	4.2%	4.4%	5.5%
General and Administrative	4.6%	4.8%	4.9%
Total Operating Costs and Expenses	90.9%	91.7%	92.5%
Operating Income	9.1%	8.3%	7.5%
Interest Expense	0.5%	0.5%	0.7%
Other, Net	0.2%	0.8%	0.1%
Income Before Provision for Income Taxes and Cumulative Effect of Accounting Change	8.4%	7.0%	6.7%
Provision for Income Taxes	2.9%	2.4%	2.3%
Income Before Cumulative Effect of Accounting Change	5.5%	4.6%	4.4%
Cumulative Effect of Accounting Change	-	0.4%	-
Net Income	5.5%	4.2%	4.4%

REVENUES

Revenue growth of 15.5% and 18.8% in fiscal 2000 and 1999, respectively, is attributable primarily to the increases in sales weeks driven by new unit expansion and in comparable store sales. Revenues for fiscal 2000 increased due to a 9.5% increase in sales weeks (a 12.2% increase in sales weeks on a comparable 52-week basis) and a 6.3% increase in comparable store sales on a 52-week basis. Revenues for fiscal 1999 increased due to a 14.9% increase in sales weeks (2.3% of such increase is attributable to the additional sales week during fiscal 1999) and a 4.2% increase in comparable store sales. Menu price increases were less than 1.5% in both fiscal 2000 and 1999.

COSTS AND EXPENSES (as a Percent of Revenues)

Cost of sales decreased for fiscal 2000 due to menu price increases and favorable commodity price variances for poultry, dairy and cheese, and produce, which were partially offset by unfavorable commodity price variances for beef and product mix changes to menu items with higher percentage food costs. Cost of sales remained flat in fiscal 1999 compared to fiscal 1998 due to menu price increases and product mix changes to menu items with lower percentage food costs, which were offset by unfavorable commodity price variances.

Restaurant expenses increased in fiscal 2000 due primarily to increases in labor. Restaurant labor wage rates and monthly performance bonuses were higher than in the prior year, but were partially offset by increased sales leverage, improvements in labor productivity, menu price increases, and a decrease in preopening costs. Restaurant expenses increased in fiscal 1999 due to the adoption of SOP 98-5 and the resulting expensing of preopening costs as incurred. During fiscal 1998 and prior years, preopening costs were deferred and amortized over the twelve-month period following the opening of each restaurant. Also contributing to the increase in restaurant expenses was additional rent expense incurred due to the sale-leaseback transactions which occurred in fiscal 1998 and the continued utilization of the equipment leasing facility. These increases were partially offset by leverage related to increased sales in fiscal 1999.

Depreciation and amortization decreased in both fiscal 2000 and fiscal 1999. The fiscal 2000 decrease is due primarily to utilization of equipment leasing facilities, increased sales leverage and a declining depreciable asset base for older units. In addition, fiscal 1999 included an impairment charge for reacquired franchise rights due to a change in development plans in the related franchise area. Partially offsetting these decreases were increases in depreciation and amortization related to new unit construction and ongoing remodel costs. The fiscal 1999 decrease is due primarily to the elimination of preopening cost amortization resulting from the adoption of SOP 98-5 and a declining depreciable asset base for older units. Partially offsetting these decreases are increases in depreciation and amortization related to new unit construction and ongoing remodel costs.

General and administrative expenses decreased in fiscal 2000 as compared to the prior fiscal year as a result of the Company's continued focus on controlling corporate expenditures relative to increasing revenues and the number of restaurants.

Interest expense remained flat for fiscal 2000 compared to fiscal 1999. Interest expense increased as a result of increased borrowings on the Company's credit facilities primarily used to fund the Company's continuing stock repurchase plan. This increase was fully offset by increased sales leverage as well as a decrease in interest expense on senior notes due to the scheduled repayments made in April 1999 and 2000. Interest expense decreased in fiscal 1999 as compared to fiscal 1998 due to a favorable interest rate environment compared with fiscal 1998 and an increase in the construction-in-progress balances subject to interest capitalization.

Other, net decreased in fiscal 2000 as compared to fiscal 1999 as a result of reduced equity losses related to the Company's share in equity method investees.

The Company's share of net losses in its equity method investees in fiscal 1999 includes a charge of approximately $5.1 million related to the decisions made by Eatzi's Corporation ("Eatzi's") to abandon development of two restaurant sites and to dispose of a restaurant that did not meet the financial return expectations of Eatzi's. These decisions were made in conjunction with a strategic plan which included slowing development, refining the prototype, and defining profitable growth opportunities. The types of costs recorded primarily included site specific costs and costs to exit lease obligations. Effective June 30, 1999, the Company sold a portion of its equity interest in Eatzi's to its partner. In addition, the Company's share of net losses in its equity method investees in fiscal 1999 included a charge of approximately $2.5 million related to the impairment of long-lived assets recorded by one of its investees.

INCOME TAXES

The Company's effective income tax rate was 35.1%, 34.7%, and 34.5%, in fiscal 2000, 1999, and 1998, respectively. The increases in fiscal 2000 and 1999 are primarily a result of an increase in the rate effect of state income taxes due to increased profitability.

CUMULATIVE EFFECT OF ACCOUNTING CHANGE

The cumulative effect of accounting change is the result of the Company's early adoption of SOP 98-5 retroactive to the first quarter of fiscal 1999 as discussed previously in the "General" section. The cumulative effect of this accounting change, net of income tax benefit, was $6.4 million or $0.09 per diluted share in fiscal 1999. This new accounting standard accelerated the Company's recognition of preopening costs, but has benefited the post-opening results of new restaurants.

NET INCOME AND NET INCOME PER SHARE

Fiscal 2000 net income and diluted net income per share increased 49.5% and 50.9%, respectively, compared to fiscal 1999. Excluding the effects of the adoption of SOP 98-5 in fiscal 1999, fiscal 2000 net income increased 38.2% from $85.2 million to $117.8 million and diluted net income per share increased 40.0% from $1.25 to $1.75. The increase in both net income and diluted net income per share, before consideration of the adoption of SOP 98-5, was mainly due to an increase in comparable store sales, sales weeks (partially offset by an additional week in fiscal 1999) and menu prices, and decreases in cost of sales and other, net.

Excluding the effects of the adoption of SOP 98-5, fiscal 1999 net income and diluted net income per share increased 23.4% and 22.5%, respectively, compared to fiscal 1998. The increase in both net income and diluted net income per share was due to an increase in average weekly sales, sales weeks (including an additional week in fiscal 1999) and menu prices, and a decrease in depreciation and amortization expenses. The factors contributing to the increase in net income and diluted net income per share were partially offset by increases in the Company's share of losses in equity method investees.

IMPACT OF INFLATION

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 either increasing menu prices or reviewing, then implementing, alternative products or processes.

LIQUIDITY AND CAPITAL RESOURCES

The working capital deficit increased from $87.0 million at June 30, 1999 to $127.4 million at June 28, 2000, and net cash provided by operating activities increased to $269.0 million for fiscal 2000 from $193.2 million for fiscal 1999 due to increased profitability and the timing of operational receipts and payments.

Long-term debt outstanding at June 28, 2000 consisted of $57.1 million of unsecured senior notes, $51.8 million of borrowings on credit facilities and obligations under capital leases. The Company has credit facilities totaling $335.0 million. At June 28, 2000, the Company had $281.3 million in available funds from credit facilities.

During fiscal 2000, the Company entered into a $25.0 million equipment leasing facility. As of June 28, 2000, $16.2 million of the facility had been utilized. The remaining equipment leasing facility can be used to lease equipment through the first quarter of fiscal year 2001. In addition, the Company entered into a $50.0 million real estate leasing facility in fiscal 2000. As of June 28, 2000, $9.4 million of the facility had been utilized. The remaining real estate leasing facility will be used to lease real estate through fiscal year 2002.

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, net of amounts funded under the respective equipment and real estate leasing facilities, were $165.4 million for fiscal 2000 compared to $181.1 million for fiscal 1999. The decrease is due primarily to a decrease in the number of store openings, partially offset by a reduction in the amount of new restaurant expenditures funded by leasing facilities. The Company estimates that its fiscal 2001 capital expenditures, net of amounts expected to be funded under leasing facilities, will approximate $200 million. These capital expenditures will be funded entirely from existing operations.

During fiscal 2000, the Company's Board of Directors authorized an increase in the stock repurchase plan initially adopted in fiscal 1998 by an additional $125.0 million to a total of $210.0 million. Pursuant to the plan, the Company repurchased approximately 2,445,000 shares of its common stock for approximately $60.7 million during fiscal 2000 in accordance with applicable securities regulations. Currently, approximately 5,425,000 shares have been repurchased for approximately $125.9 million under the plan. The repurchased common stock was or will be used by the Company to increase shareholder value, offset the dilutive effect of stock option exercises, satisfy obligations under its savings plans, and for other corporate purposes. The repurchased common stock is reflected as a reduction of shareholders' equity. The Company financed the repurchase program through a combination of cash provided by operations and drawdowns on its available credit facilities.

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in interest rates on debt and certain leasing facilities and from changes in commodity prices. A discussion of the Company's accounting policies for derivative instruments is included in the Summary of Significant Accounting Policies in the Notes to the Consolidated Financial Statements.

The Company's net exposure to interest rate risk consists of floating rate instruments that are benchmarked to U.S. and European short-term interest rates. The Company may from time to time utilize interest rate swaps and forwards to manage overall borrowing costs and reduce exposure to adverse fluctuations in interest rates. The Company does not use derivative instruments for trading purposes, and the Company has procedures in place to monitor and control derivative use.

The Company is exposed to interest rate risk on short-term and long-term financial instruments carrying variable interest rates. The Company's variable rate financial instruments, including the outstanding credit facilities and interest rate swap, totaled $73.2 million at June 28, 2000. The impact on the Company's results of operations of a one-point interest rate change on the outstanding balance of the variable rate financial instruments as of June 28, 2000 would be immaterial.

The Company purchases certain commodities such as beef, chicken, flour and cooking oil. These commodities are generally purchased based upon market prices established with vendors. These purchase arrangements may contain contractual features that limit the price paid by establishing certain price floors or caps. The Company does not use financial instruments to hedge commodity prices because these purchase arrangements help control the ultimate cost paid and any commodity price aberrations are generally short term in nature.

This market risk discussion contains forward-looking statements. Actual results may differ materially from this discussion based upon general market conditions and changes in domestic and global financial markets.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," subsequently amended in June 1999 by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No.

133," which delays the effective date of SFAS No. 133 until the Company's first quarter financial statements in fiscal 2001. SFAS No. 133 will require the Company to recognize all derivatives on the balance sheet at fair value. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged item through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Hedging Activities (an amendment of SFAS No. 133)," which amends the accounting and reporting standards of SFAS No. 133 for certain derivative instruments and certain hedging activities. The Company adopted SFAS No. 133 and SFAS No. 138 effective June 29, 2000, and the adoption did not have a material effect on the Company's results of operations or financial position.

In March 2000, the FASB issued Interpretation No. 44 ("FIN No. 44"), "Accounting for Certain Transactions involving Stock Compensation: An Interpretation of APB Opinion No. 25." Among other issues, FIN No. 44 clarifies the application of Accounting Principles Board Opinion No. 25 ("APB No. 25") regarding (a) the definition of an employee for purposes of applying APB No. 25, (b) the criteria for determining whether a plan qualifies as a noncompensatory plan, (c) the accounting consequences of various modifications to the terms of a previously fixed stock option or award, and (d) the accounting for an exchange of stock compensation awards in a business combination. The provisions of FIN No. 44 affecting the Company are to be applied on a prospective basis effective July 1, 2000. The adoption did not have a material effect on the Company's results of operations or financial position.

MANAGEMENT OUTLOOK

During fiscal 2000, the Company experienced a record-breaking year by successfully executing well-defined strategies in a very favorable macro environment for the industry. The results were achieved by disciplined capacity growth, diligent fiscal responsibility, unwavering guest satisfaction and a passionate culinary culture that keeps the Company's concept menus on the leading edge.

During fiscal 2001, the Company will continue to emphasize many of the initiatives that propelled it to new heights in fiscal 2000. Positive lifestyle, demographic, and demand trends in a strong economic environment coupled with ongoing efforts across all brands to enhance guest experience reaffirm the Company's belief in its ability to continue to deliver the best combination of operating and financial performance to enhance shareholder value.

FORWARD-LOOKING STATEMENTS

Certain statements contained herein are forward-looking regarding future economic performance, restaurant openings, operating margins, the availability of acceptable real estate locations for new restaurants, the sufficiency of cash balances and cash generated from operating and financing activities for future liquidity and capital resource needs, and other matters. These forward-looking statements involve risks and uncertainties and, consequently, could be affected by general business conditions, the impact of competition, the seasonality of the Company's business, governmental regulations, inflation, changes in economic conditions, consumer perceptions of food safety, changes in consumer tastes, governmental monetary policies, changes in demographic trends, identification and availability of suitable and economically viable locations for new restaurants, food and labor costs, availability of materials and employees, or weather and other acts of God.

BRINKER INTERNATIONAL, INC.
Consolidated Balance Sheets
(In thousands)

	2000	1999
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 12,343	$ 12,597
Accounts Receivable	20,378	21,390
Inventories	16,448	15,050
Prepaid Expenses	50,327	46,431
Deferred Income Taxes (Note 3)	2,127	5,585
Other	2,000	2,097
Total Current Assets	103,623	103,150
Property and Equipment, at Cost (Note 5):		
Land	178,025	169,368
Buildings and Leasehold Improvements	739,795	650,000
Furniture and Equipment	396,089	351,729
Construction-in-Progress	57,167	46,186
	1,371,076	1,217,283
Less Accumulated Depreciation and Amortization	482,944	403,907
Net Property and Equipment	888,132	813,376
Other Assets:		
Goodwill, Net	71,561	74,190
Other (Note 9)	99,012	94,928
Total Other Assets	170,573	169,118
Total Assets	$1,162,328	$1,085,644

(continued)

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

LIABILITIES AND SHAREHOLDERS' EQUITY	2000	1999
Current Liabilities:		
Current Installments of Long-term Debt (Notes 4 and 5)	$ 14,635	$ 14,635
Accounts Payable	104,461	74,100
Accrued Liabilities (Note 2)	111,904	101,384
Total Current Liabilities	231,000	190,119
Long-term Debt, Less Current Installments (Notes 4 and 5)	110,323	183,158
Deferred Income Taxes (Note 3)	7,667	9,140
Other Liabilities	51,130	41,788
Commitments and Contingencies (Notes 5 and 10)		
Shareholders' Equity (Notes 6 and 7):		
Preferred Stock - 1,000,000 Authorized Shares; $1.00 Par Value; No Shares Issued	-	-
Common Stock - 250,000,000 Authorized Shares; $.10 Par Value; 78,362,441 Shares Issued and 65,866,529 Shares Outstanding at June 28, 2000, and 78,150,054 Shares Issued and 65,899,445 Shares Outstanding at June 30, 1999	7,836	7,815
Additional Paid-In Capital	298,172	285,448
Retained Earnings	660,758	542,918
	966,766	836,181
Less:		
Treasury Stock, at Cost (12,495,912 shares at June 28, 2000 and 12,250,609 shares at June 30, 1999)	201,531	174,742
Unearned Compensation	3,027	-
Total Shareholders' Equity	762,208	661,439
Total Liabilities and Shareholders' Equity	$1,162,328	$1,085,644

See accompanying notes to consolidated financial statements.

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

	Fiscal Years		
	2000	1999	1998
Revenues	$2,159,837	$1,870,554	$1,574,414
Operating Costs and Expenses:			
Cost of Sales	575,570	507,103	426,558
Restaurant Expenses (Note 5)	1,197,828	1,036,573	866,143
Depreciation and Amortization	90,647	82,385	86,376
General and Administrative	100,123	90,311	77,407
Total Operating Costs and Expenses	1,964,168	1,716,372	1,456,484
Operating Income	195,669	154,182	117,930
Interest Expense	10,746	9,241	11,025
Other, Net	3,381	14,402	1,447
Income Before Provision for Income Taxes and Cumulative Effect of Accounting Change	181,542	130,539	105,458
Provision for Income Taxes (Note 3)	63,702	45,297	36,383
Income Before Cumulative Effect of Accounting Change	117,840	85,242	69,075
Cumulative Effect of Accounting Change (net of Income Tax Benefit of $3,404)	-	6,407	-
Net Income	$ 117,840	$ 78,835	$ 69,075
Basic Earnings Per Share:			
Income Before Cumulative Effect of Accounting Change	$ 1.80	$ 1.30	$ 1.05
Cumulative Effect of Accounting Change	-	0.10	-
Basic Net Income Per Share	$ 1.80	$ 1.20	$ 1.05
Diluted Earnings Per Share:			

Income Before Cumulative Effect of Accounting Change	$ 1.75	$ 1.25	$ 1.02
Cumulative Effect of Accounting Change	-	0.09	-
Diluted Net Income Per Share	$ 1.75	$ 1.16	$ 1.02
Basic Weighted Average Shares Outstanding	65,631	65,926	65,766
Diluted Weighted Average Shares Outstanding	67,410	68,123	67,450

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.
Consolidated Statements of Shareholders' Equity
(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Unearned Compensation	Total
Balances at June 25, 1997	65,234	$7,771	$ 271,196	$395,008	$(150,231)	$ -	$523,744
Net Income	-	-	-	69,075	-	-	69,075
Purchases of Treasury Stock	(809)	-	-	-	(17,077)	-	(17,077)
Issuances of Common Stock	1,501	44	614	-	12,769	-	13,427
Tax Benefit from Stock Options Exercised	-	-	4,570	-	-	-	4,570
Balances at June 24, 1998	65,926	7,815	276,380	464,083	(154,539)	-	593,739
Net Income	-	-	-	78,835	-	-	78,835
Purchases of Treasury Stock	(2,171)	-	-	-	(48,125)	-	(48,125)
Issuances of Common Stock	2,144	-	(811)	-	27,922	-	27,111
Tax Benefit from Stock Options Exercised	-	-	9,879	-	-	-	9,879
Balances at June 30, 1999	65,899	7,815	285,448	542,918	(174,742)	-	661,439
Net Income	-	-	-	117,840	-	-	117,840
Purchases of Treasury Stock	(2,445)	-	-	-	(60,707)	-	(60,707)
Issuances of Common Stock	2,194	-	(3,187)	-	33,832	-	30,645
Tax Benefit from Stock Options Exercised	-	-	10,837	-	-	-	10,837
Long-term Incentive Plan	219	21	5,074	-	86	(3,027)	2,154
Balances at June 28, 2000	65,867	$7,836	$ 298,172	$660,758	$(201,531)	$ (3,027)	$762,208

See accompanying notes to consolidated financial statements.

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

	Fiscal Years 2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 117,840	$ 78,835	$ 69,075
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	90,647	82,385	86,376
Amortization of Unearned Compensation	2,124	-	-
Deferred Income Taxes	1,985	1,955	(1,220)
Cumulative Effect of Accounting Change	-	6,407	-
Changes in Assets and Liabilities:			
Receivables	1,109	(1,886)	(829)
Inventories	(1,398)	(1,276)	(743)
Prepaid Expenses	(371)	(9,855)	(6,212)
Other Assets	(4,032)	14,458	(9,649)
Accounts Payable	41,198	8,102	3,808
Accrued Liabilities	10,520	14,348	14,377
Other Liabilities	9,372	(247)	12,352

Net Cash Provided by Operating Activities	268,994	193,226	167,335
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for Property and Equipment	(165,397)	(181,088)	(155,246)
Payment for Purchases of Restaurants, Net	-	-	(2,700)
Net Proceeds from Sale-Leasebacks	-	-	125,961
Proceeds from Sales of Marketable Securities	-	51	23,962
Investments in Equity Method Investees	(954)	(4,484)	(35,500)
Net (Advances to) Repayments from Affiliates	-	(19,363)	5,942
Additions to Other Assets	-	-	(6,850)
Net Cash Used in Investing Activities	(166,351)	(204,884)	(44,431)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (Payments) Borrowings on Credit Facilities	(58,200)	50,505	(132,980)
Payments of Long-term Debt	(14,635)	(14,618)	(390)
Proceeds from Issuances of Common Stock	30,645	27,111	13,731
Purchases of Treasury Stock	(60,707)	(48,125)	(17,077)
Net Cash (Used in) Provided by Financing Activities	(102,897)	14,873	(136,716)
Net (Decrease) Increase in Cash and Cash Equivalents	(254)	3,215	(13,812)
Cash and Cash Equivalents at Beginning of Year	12,597	9,382	23,194
Cash and Cash Equivalents at End of Year	$ 12,343	$ 12,597	$ 9,382
CASH PAID DURING THE YEAR:			
Interest, Net of Amounts Capitalized	$ 10,192	$ 9,531	$ 11,479
Income Taxes, Net of Refunds	$ 36,646	$ 39,618	$ 31,807
NON-CASH TRANSACTIONS DURING THE YEAR:			
Tax Benefit from Stock Options Exercised	$ 10,837	$ 9,879	$ 4,570
Restricted Common Stock Issued	$ 5,181	$ -	$ -

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.
Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The consolidated financial statements include the accounts of Brinker International, Inc. and its wholly-owned subsidiaries ("Company"). All intercompany accounts and transactions have been eliminated in consolidation. The Company owns and operates, or franchises, various restaurant concepts principally located in the United States. Investments in unconsolidated affiliates in which the Company exercises significant influence, but does not control, are accounted for by the equity method, and the Company's share of the net income or loss is included in other, net in the consolidated statements of income.

The Company has a 52/53 week fiscal year ending on the last Wednesday in June. Fiscal years 2000 and 1998, which ended on June 28, 2000 and June 24, 1998, respectively, each contained 52 weeks, while fiscal year 1999, which ended on June 30, 1999, contained 53 weeks.

Certain prior year amounts in the accompanying consolidated financial statements have been reclassified to conform with fiscal 2000 classifications.

(b) Financial Instruments

The Company's policy is to invest cash in excess of operating requirements in income-producing investments. Income producing investments with maturities of three months or less at the time of investment are reflected as cash equivalents. Cash equivalents of $114,000 and $2.6 million at June 28, 2000 and June 30, 1999, respectively, consist primarily of money market funds and commercial paper.

The Company's financial instruments at June 28, 2000 and June 30, 1999 consist of cash equivalents, accounts receivable, notes receivable, and long-term debt. The fair value of these financial instruments approximates the carrying amounts reported in the consolidated balance sheets. The following methods were used in estimating the fair value of each class of financial instrument: cash equivalents and accounts receivable approximate their carrying amounts due to the short duration of those items; notes receivable are based on the present value of expected future cash flows discounted at the interest rate currently offered by the Company which approximates rates currently being offered by local lending institutions for loans of similar terms to companies with comparable credit risk; and long-term debt is based on the amount of future cash flows discounted using the Company's expected borrowing rate for debt of comparable risk and maturity.

The Company's policy prohibits the use of derivative instruments for trading purposes and the Company has procedures in place to monitor and control their use. The Company's use of derivative instruments is currently limited to interest rate hedges which are entered into with the intent of managing overall borrowing costs. Amounts receivable or payable under interest swap agreements are recorded as adjustments to interest expense. Cash flows related to derivative transactions are included in operating activities. See Note 4 for additional discussion of debt related agreements.

(c) Inventories

Inventories, which consist of food, beverages, and supplies, are stated at the lower of cost (weighted average cost method) or market.

(d) Property and Equipment

Buildings and leasehold improvements are amortized using the straight-line method over the lesser of the life of the lease, including renewal options, or the estimated useful lives of the assets, which range from 5 to 20 years. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 8 years.

(e) Capitalized Interest

Interest costs capitalized during the construction period of restaurants were approximately $3.2 million, $4.0 million, and $3.6 million during fiscal 2000, 1999, and 1998, respectively.

(f) Advertising

Advertising costs are expensed as incurred. Advertising costs were $80.7 million, $73.6 million, and $60.6 million in fiscal 2000, 1999, and 1998, respectively, and are included in restaurant expenses in the consolidated statements of income.

(g) Preopening Costs

The Company elected early adoption of Statement of Position 98-5 ("SOP 98-5"), "Reporting on the Costs of Start-Up Activities," retroactive to the first quarter of fiscal 1999. This accounting standard requires the Company to expense all start-up and preopening costs as they are incurred. The Company previously deferred such costs and amortized them over the twelve-month period following the opening of each restaurant. The cumulative effect of this accounting change, net of income tax benefit, was $6.4 million ($0.09 per diluted share) in fiscal 1999. This new accounting standard accelerated the Company's recognition of preopening costs, but has benefited the post-opening results of new restaurants. Excluding the one-time cumulative effect, the adoption of the new accounting standard reduced the Company's reported results for fiscal 1999 by approximately $1.7 million ($0.03 per diluted share).

(h) Goodwill and Other Intangible Assets

Intangible assets include both goodwill and identifiable intangibles arising from the allocation of the purchase prices of assets acquired. Goodwill represents the residual purchase price after allocation to all other identifiable net assets of the businesses acquired. Other intangibles consist mainly of reacquired franchise rights, trademarks, and intellectual property. All intangible assets are stated at historical cost less accumulated amortization. Intangible assets are amortized on a straight-line basis over 30 to 40 years for goodwill and 15 to 25 years for other intangibles. The Company assesses the recoverability of intangible assets, including goodwill, by determining whether the asset balance can be recovered over its remaining life through undiscounted future operating cash flows of the acquired asset. The amount of impairment, if any, is measured based on projected discounted future operating cash flows.

During fiscal 1999, the Company recorded an impairment charge of approximately $3 million for reacquired franchise rights. The impairment charge, which is included in amortization expense, is the result of a change in development plans in the related franchise area. Management believes that no reduction of the estimated useful life is warranted. Accumulated amortization for goodwill was $10.9 million and $8.7 million as of June 28, 2000 and June 30, 1999, respectively. Accumulated amortization for other intangible assets was $5.9 million and $4.8 million as of June 28, 2000 and June 30, 1999, respectively.

(i) Recoverability of Long-Lived Assets

The Company evaluates long-lived assets and certain identifiable intangibles held and used in the business for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment is determined by comparing estimated undiscounted future operating cash flows to the carrying amounts of assets. If an impairment exists, the amount of impairment is measured as the sum of the estimated discounted future operating cash flows of the asset and the expected proceeds upon sale of the asset less its carrying amount. Assets held for sale are reported at the lower of carrying amount or fair value less costs to sell. During fiscal 1999, the Company's share of net losses in equity method investees included charges of approximately $6.5 million related to impairment.

(j) Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(k) Treasury Stock

During fiscal 1998, the Company's Board of Directors approved a plan to repurchase up to $50.0 million of the Company's common stock. During fiscal 1999 and fiscal 2000, the Company's Board of Directors authorized increases in the plan by an additional $35.0 million and $125.0 million, respectively. Pursuant to the plan, the Company repurchased approximately 2,445,000 shares of its common stock for approximately $60.7 million during fiscal 2000, approximately 2,171,000 shares of its common stock for approximately $48.1 million during fiscal 1999, and approximately 809,000 shares of its common stock for approximately $17.1 million during fiscal 1998 in accordance with applicable securities regulations. The repurchased common stock was or will be used by the Company to increase shareholder value, offset the dilutive effect of stock option exercises, satisfy obligations under its savings plans, and for other corporate purposes. The repurchased common stock is reflected as a reduction of shareholders' equity.

(l) Stock-Based Compensation

The Company uses the intrinsic value method for measuring employee stock-based compensation cost which measures compensation cost as the excess, if any, of the quoted market price of the Company's common stock at the grant date over the amount the employee must pay for the stock. The Company's policy is to grant stock options at the market value of the underlying stock at the date of grant. Proceeds from the exercise of common stock options issued to officers, directors, and key employees under the Company's stock option plans are credited to common stock to the extent of par value and to additional paid-in capital for the excess. Required pro forma disclosures of compensation expense determined under the fair value method of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," are presented in Note 6.

Pursuant to shareholder approval in November 1999, the Company implemented the Executive Long-Term Incentive Plan for certain key employees, one component of which is the award of restricted common stock. During fiscal 2000, approximately 219,000 shares of restricted common stock were awarded, the majority of which vests over a three-year period. Unearned compensation was recorded as a separate component of shareholders' equity at the date of the award based on the market value of the shares and is being amortized to compensation expense over the vesting period.

(m) Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Comprehensive income for fiscal 2000, 1999, and 1998 is equal to net income as reported.

(n) Net Income 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 determined using the treasury stock method. The Company has no other potentially dilutive securities.

(o) Segment Reporting

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company identifies operating segments based on management responsibility and believes it meets the criteria for aggregating its operating segments into a single reporting segment.

(p) Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and costs and expenses during the reporting period. Actual results could differ from those estimates.

2. ACCRUED LIABILITIES

Accrued liabilities consist of the following (in thousands):

	2000	1999
Payroll	$ 58,498	$ 46,648
Insurance	7,645	10,185
Property tax	11,775	10,783
Sales tax	11,841	13,015
Other	22,145	20,753
	$111,904	$101,384

3. INCOME TAXES

The provision for income taxes consists of the following (in thousands):

	2000	1999	1998
Current income tax expense:			
Federal	$ 53,551	$ 38,373	$ 34,347
State	8,166	4,969	3,408
Total current income tax expense	61,717	43,342	37,755
Deferred income tax expense (benefit):			
Federal	1,835	2,124	(1,212)
State	150	(169)	(160)
Total deferred income tax expense (benefit)	1,985	1,955	(1,372)
	$ 63,702	$ 45,297	$ 36,383

A reconciliation between the reported provision for income taxes before cumulative effect of accounting change and the amount computed by applying the statutory Federal income tax rate of 35% to income before provision for income taxes follows (in thousands):

	2000	1999	1998
Income tax expense at statutory rate	$ 63,540	$ 45,659	$ 36,910
FICA tax credit	(5,993)	(4,495)	(3,575)
State income taxes, net of Federal benefit	5,405	3,120	2,111
Other	750	1,013	937
	$ 63,702	$ 45,297	$ 36,383

The income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities as of June 28, 2000 and June 30, 1999 are as follows (in thousands):

	2000	1999
Deferred income tax assets:		
Insurance reserves	$ 5,678	$ 10,451
Employee benefit plans	7,761	4,349
Leasing transactions	7,137	5,510
Other, net	12,792	12,277
Total deferred income tax assets	33,368	32,587
Deferred income tax liabilities:		
Depreciation and capitalized interest on property and equipment	24,119	19,375
Prepaid expenses	4,554	8,060
Goodwill and other amortization	2,346	1,936
Other, net	7,889	6,771
Total deferred income tax liabilities	38,908	36,142
Net deferred income tax liability	$ 5,540	$ 3,555

At June 28, 2000, current taxes payable totaled $6.4 million, while at June 30, 1999, the current tax refund receivable was $7.8 million.

4. DEBT

The Company has credit facilities aggregating $335.0 million at June 28, 2000. A credit facility of $260.0 million bears interest at LIBOR (6.68% at June 28, 2000) plus a maximum of 0.50% and expires in fiscal 2002. At June 28, 2000, $45.0 million was outstanding under this facility. The remaining credit facilities bear interest based upon the lower of the banks' "Base" rate, certificate of deposit rate, negotiated rate, or LIBOR rate plus 0.375%, and expire at various times beginning in fiscal year 2001. Unused credit facilities available to the Company were approximately $281.3 million at June 28, 2000. Obligations under the Company's credit facilities, which require short-term repayments, have been classified as long-term debt, reflecting the Company's intent and ability to refinance these borrowings through the existing credit facilities.

Long-term debt consists of the following (in thousands):

	2000	1999
7.8% senior notes	$ 71,400	$ 85,700
Credit facilities	51,800	110,000
Capital lease obligations (see Note 5)	1,758	2,093
	124,958	197,793
Less current installments	14,635	14,635
	$110,323	$183,158

The $71.4 million of unsecured senior notes bear interest at an annual rate of 7.8%. Interest is payable semi-annually and principal of $14.3 million is due annually through fiscal 2004 with the remaining unpaid balance due in fiscal 2005.

In April 2000, the Company entered into interest rate swap agreements to manage interest rate risks relating to the senior notes. The Company pays semi-annually a variable interest rate based on LIBOR plus a spread, in arrears, compounded at three month intervals. The Company receives semi-annually the fixed interest rate of 7.8% on the senior notes. The notional amount of the swap agreements aggregated $71.4 million at June 28, 2000, with interest rates ranging from LIBOR plus 0.530% to LIBOR plus 0.535%. The term of the agreements expires April 2005. The estimated fair value of these agreements is not material at June 28, 2000.

The Company is the guarantor of approximately $9.5 million in lines of credit, of which $9.2 million is outstanding for certain franchisees and an equity method investee.

5. LEASES

(a) Capital Leases

The Company leases certain buildings under capital leases. The asset values of $6.5 million at June 28, 2000 and June 30, 1999, and the related accumulated amortization of $5.9 million and $5.8 million at June 28, 2000 and June 30, 1999, respectively, are included in property and equipment.

(b) Operating Leases

The Company leases restaurant facilities, office space, and certain equipment under operating leases having terms expiring at various dates through fiscal 2022. The restaurant leases have renewal clauses of 1 to 30 years at the option of the Company and have provisions for contingent rent based upon a percentage of gross sales, as defined in the leases. Rent expense for fiscal 2000, 1999, and 1998 was $81.8 million, $70.0 million, and $54.8 million, respectively. Contingent rent included in rent expense for fiscal 2000, 1999, and 1998 was $7.2 million, $5.5 million, and $4.9 million, respectively.

In July 1993, the Company entered into operating lease agreements with unaffiliated groups to lease certain restaurant sites. During fiscal 1995 and 1994, the Company utilized the entire commitment of approximately $30 million for the development of restaurants leased by the Company. Since inception of the commitment, the Company has retired several properties in the commitment, which thereby reduced the outstanding balance. At the expiration of the lease in fiscal 2001, the Company has, at its option, the ability to purchase all of the properties or to guarantee the residual value related to the remaining properties, which is currently approximately $20.6 million. Based on an analysis of the operations of these properties, the Company believes the properties support the guaranteed residual value.

In fiscal 1998, the Company entered into a $55.0 million equipment leasing facility, of which $47.5 million had been utilized through fiscal 1999. The Company does not intend to further utilize this facility. In fiscal 2000, the Company entered into a $25.0 million equipment leasing facility. As of June 28, 2000, $16.2 million of the facility had been utilized. Each facility is accounted for as an operating lease, expires in fiscal 2004 and 2006, respectively, and does not provide for renewal. The Company guarantees a residual value related to the equipment of approximately 87% of the total amount funded under the facility. At the end of each lease term, the Company has the option to purchase all of the leased equipment for an amount equal to the unamortized lease balance, which amount will not exceed 75% of the total amount funded through the facility. The Company believes the future cash flows related to the equipment support the unamortized lease balance.

In fiscal 2000, the Company entered into a $50.0 million real estate leasing facility. As of June 28, 2000, $9.4 million of the facility had been utilized. The real estate facility, which is accounted for as an operating lease, expires in fiscal 2007 and does not provide for renewal. The Company guarantees the residual value related to the properties, which will be approximately 87% of the total amount funded under the facility. At the end of the lease term, the Company has the option to purchase all of the leased real estate for an amount equal to the unamortized lease balance. The Company believes the future cash flows related to the real estate support the unamortized lease balance.

In fiscal 1998, the Company executed a $124.0 million sale and leaseback of certain real estate assets. The $8.7 million gain resulting from the sale, along with certain transaction costs, was deferred and is being amortized over the remaining term of the operating lease.

(c) Commitments

At June 28, 2000, future minimum lease payments on capital and operating leases were as follows (in thousands):

Fiscal Year	Capital Leases	Operating Leases
2001	$ 566	$ 72,796
2002	566	70,497
2003	566	67,398
2004	456	62,744
2005	112	58,010
Thereafter	-	330,521
Total minimum lease payments	2,266	$661,966
Imputed interest (average rate of 11.5%)	508	
Present value of minimum lease payments	1,758	
Less current installments	335	
Capital lease obligations - noncurrent	$1,423	

At June 28, 2000, the Company had entered into other lease agreements for restaurant facilities currently under construction or yet to be constructed. In addition to base rent, the leases also contain provisions for additional contingent rent based upon gross sales, as defined in the leases. Classification of these leases as capital or operating has not been determined as construction of the leased properties has not been completed.

6. STOCK OPTION PLANS

(a) 1983, 1992, and 1998 Employee Incentive Stock Option Plans

In accordance with the Incentive Stock Option Plans adopted in October 1983, November 1992, and October 1998, options to purchase approximately 26.8 million shares of Company common stock may be granted to officers, directors, and eligible employees, as defined. Options are granted at the market value of the underlying common stock on the date of grant, are exercisable beginning one to two years from the date of grant, with various vesting periods, and expire ten years from the date of grant.

In October 1993, the 1983 Incentive Stock Option Plan expired. Consequently, no options were granted under that Plan subsequent to fiscal 1993. Options granted prior to the expiration of this Plan remain exercisable through April 2003.

Transactions during fiscal 2000, 1999, and 1998 were as follows (in thousands, except option prices):

	Number of Company Options			Weighted Average Share Exercise Price		
	2000	1999	1998	2000	1999	1998
Options outstanding at beginning of year	8,861	9,742	9,458	$17.37	$14.43	$14.13
Granted	1,672	1,942	1,661	24.19	26.65	14.07
Exercised	(2,153)	(2,002)	(1,068)	13.92	13.01	10.76
Forfeited	(416)	(821)	(309)	20.68	16.03	16.03
Options outstanding at end of year	7,964	8,861	9,742	$19.56	$17.37	$14.43
Options exercisable at end of year	3,668	4,232	5,556	$15.79	$15.97	$15.60

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
$10.89-$11.22	694	5.40	$11.08	694	$11.08
$12.00-$15.50	2,175	5.88	13.61	1,237	13.51
$16.00-$20.44	1,750	3.74	18.89	1,669	18.99
$23.06-$28.00	3,345	8.84	25.54	68	26.83
	7,964	6.61	$19.56	3,668	$15.79

(b) 1991 and 1999 Non-Employee Stock Option Plans

In accordance with the Stock Option Plan for Non-Employee Directors and Consultants adopted in May 1991, options to purchase 587,500 shares of Company common stock were authorized for grant. In fiscal 2000, the 1991 Stock Option Plan for Non-Employee Directors and Consultants was replaced by the 1999 Stock Option and Incentive Plan for Non-Employee Directors and Consultants which authorized the issuance of up to 300,000 shares of Company common stock. The authority to issue the remaining 131,500 stock options under the 1991 Stock Option Plan for Non-Employee Directors and Consultants has been terminated. Options are granted at the market value of the underlying common stock on the date of grant, vest one-third each year beginning two years from the date of grant, and expire ten years from the date of grant.

Transactions during fiscal 2000, 1999, and 1998 were as follows (in thousands, except option prices):

	Number of Company Options			Weighted Average Share Exercise Price		
	2000	1999	1998	2000	1999	1998
Options outstanding at beginning of year	347	230	201	$17.13	$16.51	$16.10
Granted	6	183	52	23.50	16.97	16.40
Exercised	(41)	(46)	(23)	15.48	15.09	12.60
Forfeited	-	(20)	-	-	13.08	-
Options outstanding at end of year	312	347	230	$17.47	$17.13	$16.51
Options exercisable at end of year	185	191	174	$15.35	$15.47	$16.52

At June 28, 2000, the range of exercise prices for options outstanding was $11.22 to $25.44 with a weighted average remaining contractual life of 5.66 years.

(c) On The Border 1989 Stock Option Plan

In accordance with the Stock Option Plan for On The Border employees, options to purchase 550,000 shares of On The Border's preacquisition common stock were authorized for grant. Effective May 18, 1994, the 376,000 unexercised On The Border stock options became exercisable immediately in accordance with the provisions of the Stock Option Plan, and were converted to approximately 124,000 Company stock options and expire ten years from the date of original grant. At June 28, 2000, there were 26,000 options exercisable and outstanding at exercise prices ranging from $18.24 to $19.76 with a weighted average remaining contractual life of 3.17 years.

(d) 1984 Non-Qualified Stock Option Plan

In accordance with the Non-Qualified Stock Option Plan adopted in December 1984, options to purchase approximately 5 million shares of Company common stock were authorized for grant. Options were granted at the market value of the underlying common stock on the date of grant, are all fully vested, and expire ten years from the date of grant.

In November 1989, the Non-Qualified Stock Option Plan was terminated. Consequently, no options were granted subsequent to fiscal 1990 and all options were either exercised or forfeited in fiscal 1999.

The Company has adopted the disclosure-only provisions of SFAS No. 123. Accordingly, no compensation cost has been recognized for Company stock option plans. Pursuant to the employee compensation provisions of SFAS No. 123, the Company's diluted net income per common and equivalent share would have been reduced to the pro forma amounts indicated below (in thousands, except per share data):

	2000	1999	1998
Net income - as reported	$117,840	$ 78,835	$ 69,075
Net income - pro forma	$108,503	$ 71,668	$ 62,745
Diluted net income per share - as reported	$ 1.75	$ 1.16	$ 1.02
Diluted net income per share - pro forma	$ 1.61	$ 1.05	$ 0.93

The weighted average fair value of option grants was $10.87, $10.72, and $6.33 during fiscal 2000, 1999, and 1998, respectively. The fair value is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2000	1999	1998
Expected volatility	40.8%	37.2%	41.5%
Risk-free interest rate	5.9%	4.6%	5.8%
Expected lives	5 years	5 years	5 years
Dividend yield	0.0%	0.0%	0.0%

The pro forma disclosures provided are not likely to be representative of the effects on reported net income for future years due to future grants.

7. STOCKHOLDER PROTECTION RIGHTS PLAN

The Company maintains a Stockholder Protection Rights Plan ("Plan"). Upon implementation of the Plan, the Company declared a dividend of one right on each outstanding share of common stock. The rights are evidenced by the common stock certificates, automatically trade with the common stock, and are not exercisable until it is announced that a person or group has become an Acquiring Person, as defined in the Plan. Thereafter, separate rights certificates will be distributed and each right (other than rights beneficially owned by any Acquiring Person) will entitle, among other things, its holder to purchase, for an exercise price of $60, a number of shares of Company common stock having a market value of twice the exercise price. The rights may be redeemed by the Board of Directors for $0.01 per right prior to the date of the announcement that a person or group has become an Acquiring Person.

8. SAVINGS PLANS

The Company sponsors a qualified defined contribution retirement plan ("Plan I") covering salaried and hourly employees who have completed one year of service and have attained the age of twenty-one. Plan I allows eligible employees to defer receipt of up to 20% of their compensation and 100% of their eligible bonuses, as defined in the plan, and contribute such amounts to various investment funds. The Company matches in Company common stock 25% of the first 5% a salaried employee contributes. Hourly employees do not receive matching contributions. Employee contributions vest immediately while Company contributions vest 25% annually beginning on the participant's second anniversary of employment. In fiscal 2000, 1999, and 1998, the Company contributed approximately $731,000, $688,000, and $600,000, respectively.

The Company sponsors a non-qualified defined contribution retirement plan ("Plan II") covering highly compensated employees, as defined in the plan. Plan II allows eligible employees to defer receipt of up to 20% of their base compensation and 100% of their eligible bonuses, as defined in the plan. The Company matches in Company common stock 25% of the first 5% a non-officer contributes while officers' contributions are matched at the same rate with cash. Employee contributions vest immediately while Company contributions vest 25% annually beginning on the participant's second anniversary of employment. In fiscal 2000, 1999, and 1998, the Company contributed approximately $543,000, $381,000, and $298,000, respectively. At the inception of Plan II, the Company established a Rabbi Trust to fund Plan II obligations. The market value of the trust assets is included in other assets and the liability to Plan II participants is included in other liabilities.

9. RELATED PARTY TRANSACTION

The Company has secured notes receivable from Eatzi's Corporation ("Eatzi's") with a carrying value of approximately $21.6 million at June 28, 2000 and June 30, 1999. Approximately $6 million of the notes receivable is convertible into nonvoting Series A Preferred Stock of Eatzi's at the option of the Company and matures on December 28, 2006. The remaining note receivable matures on September 28, 2005.

Interest on the convertible note receivable is 10.5% per year with payments due beginning June 28, 2000 and continuing on a quarterly basis until the principal balance and all accrued and unpaid interest have been paid in full. In accordance with the terms of the note, Eatzi's elected to pay the interest due on June 28, 2000 by issuing approximately 973,000 shares of its nonvoting Series A Preferred Stock in lieu of making a cash payment of $652,000. Interest on the remaining notes receivable balance is prime rate plus 1.5% per year with payments due beginning September 28, 2000 and continuing on a quarterly basis until the principal balance and all accrued and unpaid interest have been paid in full. The notes receivable are included in other assets in the accompanying consolidated balance sheets. In addition, the Company sold a portion of its equity interest in Eatzi's effective June 30, 1999.

10. 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.

11. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following table summarizes the unaudited consolidated quarterly results of operations for fiscal 2000 and 1999(in thousands, except per share amounts):

	Fiscal Year 2000 Quarters Ended			
	Sept. 29	Dec. 29	March 29	June 28
Revenues	$511,033	$520,900	$551,191	$576,713
Income Before Provision for Income Taxes	41,510	38,931	44,275	56,826
Net Income	27,106	25,422	28,602	36,710
Basic Net Income Per Share	0.41	0.39	0.44	0.56
Diluted Net Income Per Share	0.40	0.38	0.43	0.54
Basic Weighted Average Shares Outstanding	65,786	65,377	65,266	66,034
Diluted Weighted Average Shares Outstanding	67,772	66,977	66,814	68,003

	Fiscal Year 1999 Quarters Ended			
	Sept. 23	Dec. 23	March 24	June 30
Revenues	$432,101	$443,975	$459,192	$535,286
Income Before Provision for Income Taxes and Cumulative Effect of Accounting Change	30,658	26,963	31,447	41,471
Income Before Cumulative Effect of Accounting Change	20,020	17,607	20,535	27,080
Net Income	13,613	17,607	20,535	27,080
Basic Net Income Per Share:				
Income Before Accounting Change	0.30	0.27	0.31	0.41
Net Income	0.21	0.27	0.31	0.41
Diluted Net Income Per Share:				
Income Before Accounting Change	0.30	0.26	0.30	0.40
Net Income	0.20	0.26	0.30	0.40
Basic Weighted Average Shares Outstanding	65,774	65,608	66,316	66,003
Diluted Weighted Average Shares Outstanding	67,596	67,781	68,852	68,267

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Brinker International, Inc.:

We have audited the accompanying consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 28, 2000 and June 30, 1999, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 28, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Brinker International, Inc. and subsidiaries as of June 28, 2000 and June 30, 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended June 28, 2000 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for the cost of start-up activities in fiscal 1999.

KPMG LLP

Dallas, Texas
July 31, 2000

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

To Our Shareholders:

Management is responsible for the reliability of the consolidated financial statements and related notes, which have been prepared in conformity with accounting principles generally accepted in the United States of America and include amounts based upon our estimate and judgments, as required. The consolidated financial statements have been audited and reported on by our independent auditors, KPMG LLP, who were given free access to all financial records and related data, including minutes of the meetings of the Board of Directors and Committees of the Board. We believe that the representations made to the independent auditors were valid and appropriate.

Brinker maintains a system of internal controls over financial reporting designed to provide reasonable assurance of the reliability of the consolidated financial statements. Brinker's internal audit function monitors and reports on the adequacy of the compliance with the internal control system and appropriate actions are taken to address significant control deficiencies and other opportunities for improving the system as they are identified. The Audit Committee of the Board of Directors, which is comprised solely of outside directors, provides oversight to the financial reporting process through periodic meetings with our independent auditors, internal auditors, and management. Both our independent auditors and internal auditors have free access to the Audit Committee. Although no cost-effective internal control system will preclude all errors and irregularities, we believe our controls as of and for the year ended June 28, 2000 provide reasonable assurance that the consolidated financial statements are reliable.

RONALD A. MCDOUGALL
Vice Chairman and Chief Executive Officer

RUSSELL G. OWENS
Executive Vice President and Chief Financial and
Strategic Officer

EXHIBIT 21

BRINKER INTERNATIONAL, INC., A DELAWARE CORPORATION

SUBSIDIARIES

REGISTRANT'S subsidiaries operate full-service restaurants in various locations throughout the United States under the names Chili's Grill & Bar, Romano's Macaroni Grill, On The Border Mexican Grill & Cantina, Cozymel's Coastal Mexican Grill, Maggiano's Little Italy, and Corner Bakery cafe.

BRINKER RESTAURANT CORPORATION, a Delaware corporation
MAGGIANO'S/CORNER BAKERY, INC., an Illinois corporation
BRINKER ALABAMA, INC., a Delaware corporation
BRINKER ARKANSAS, INC., a Delaware corporation
BRINKER AUSTRALIA PTY LIMITED, an Australian corporation
BRINKER CONNECTICUT CORPORATION, a Delaware corporation
BRINKER DELAWARE, INC., a Delaware corporation
BRINKER FLORIDA, INC., a Delaware corporation
BRINKER GEORGIA, INC., a Delaware corporation
BRINKER INDIANA, INC., a Delaware corporation
BRINKER IOWA, INC., a Delaware corporation
BRINKER KENTUCKY, INC., a Delaware corporation
BRINKER LOUISIANA, INC., a Delaware corporation
BRINKER MASSACHUSETTS CORPORATION, a Delaware corporation
BRINKER MISSISSIPPI, INC., a Delaware corporation
BRINKER MISSOURI, INC., a Delaware corporation
BRINKER OF MONTGOMERY COUNTY, INC., a Maryland corporation
BRINKER NEVADA, INC., a Nevada corporation
BRINKER NEW JERSEY, INC., a Delaware corporation
BRINKER NORTH CAROLINA, INC., a Delaware corporation
BRINKER OHIO, INC., a Delaware corporation
BRINKER OKLAHOMA, INC., a Delaware corporation
BRINKER SOUTH CAROLINA, INC., a Delaware corporation
BRINKER UK CORPORATION, a Delaware corporation
BRINKER VIRGINIA, INC., a Delaware corporation
BRINKER TEXAS, L.P., a Texas limited partnership
CHILI'S BEVERAGE COMPANY, INC., a Texas corporation
CHILI'S, INC., a Tennessee corporation
CHILI'S OF MINNESOTA, INC., a Minnesota corporation
CHILI'S OF KANSAS, INC., a Kansas corporation
BRINKER PENN TRUST, a Pennsylvania business trust
CHILI'S OF WEST VIRGINIA, INC., a West Virginia corporation
CHILI'S OF WISCONSIN, INC., a Wisconsin corporation
BRINKER FREEHOLD, INC., a New Jersey corporation
MAGGIANO'S OF TYSON'S, INC., a Virginia corporation
ROMANO'S OF ANNAPOLIS, INC., a Maryland corporation
CHILI'S OF BEL AIR, INC., a Maryland corporation
CHILI'S OF MARYLAND, INC., a Maryland corporation
BRINKER OF BALTIMORE COUNTY, INC., a Maryland corporation
BRINKER OF HOWARD COUNTY, INC., a Maryland corporation
BRINKER RHODE ISLAND, INC., a Rhode Island corporation
BRINKER OF D.C., INC., a Delaware corporation
CHILI'S, INC., a Delaware corporation
MAGGIANO'S/CORNER BAKERY BEVERAGE COMPANY, a Texas corporation
MAGGIANO'S/CORNER BAKERY HOLDING CORPORATION, a Delaware corporation
MAGGIANO'S/CORNER BAKERY, L.P., a Texas limited partnership

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Brinker International, Inc.:

We consent to incorporation by reference in Registration Statement Nos. 33-61594, 33-56491, 333-02201, 333-93755, and 333-42224 on Form S-8 and Nos. 333-00169 and 333-07481 on Form S-3, of Brinker International, Inc. of our report dated July 28, 2000, relating to the consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 28, 2000 and June 30, 1999 and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 28, 2000, which report is incorporated by reference in the June 28, 2000 annual report on Form 10-K of Brinker International, Inc.

/KPMG LLP

Dallas, Texas
September 22, 2000

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED BALANCE SHEET AND RELATED CONDENSED CONSOLIDATED STATEMENT OF INCOME OF BRINKER INTERNATIONAL, INC. AS OF AND FOR THE 52 WEEK PERIOD ENDED JUNE 28, 2000, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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12-MOS
JUN-28-2000
JUN-28-2000
12,343
0
22,631
(253)
16,448
103,623
1,371,076
(482,944)
1,162,328
231,000
110,323
0
0
7,836
754,372
1,162,328
2,137,047
2,159,837
575,570
1,864,045
0
909
10,746
181,542
63,702
117,840
0
0
0
117,840
1.80
1.75

EXHIBIT 99

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information as to all persons known by the Company to beneficially own more than five percent of the outstanding shares of Common Stock of the Company:

	Beneficial Ownership	
Name and Address	Number of Shares	Percent
FMR Corp. 82 Devonshire Street Boston, Massachusetts 02109	5,143,495 (1)	7.79%
Capital Research and Management Company 333 South Hope Street Los Angeles, California 90071	4,450,000 (2)	6.74%

(1) Based on information contained in Schedule 13G dated as of March 31, 2000.

(2) Based on information contained in Schedule 13G dated as of December 31, 1999.

SECURITY OWNERSHIP OF MANAGEMENT
AND ELECTION OF DIRECTORS

Eleven directors are to be elected at the meeting. Each nominee will be elected to hold office until the next annual meeting of shareholders. To be elected a director, each nominee must receive a plurality of all of the votes cast at the meeting for the election of directors. Should any nominee become unable or unwilling to accept nomination or election, the proxy holders may vote the proxies for the election, in his stead, of any other person the Board of Directors may recommend. All nominees have expressed their intention to serve the entire term for which election is sought. The following table sets forth certain information concerning security ownership of management and nominees for election as directors of the Company:

Name	Number of Shares of Common Stock Beneficially Owned as of September 11, 2000 (1)(2)	Number Attributable to Options Exercisable Within 60 Days of September 11, 2000	Percent of Class
Norman E. Brinker	1,346,112 (3)	909,370	2.01%
Ronald A. McDougall	890,397	819,400	1.33%
Douglas H. Brooks	503,454	378,875	*
Todd E. Diener	96,660	66,411	*
Russell G. Owens	215,619	171,175	*
Roger F. Thomson	43,812	25,000	*
Donald J. Carty	18,584	7,818	*
Dan W. Cook, III	7,997	7,997	*
Marvin J. Girouard	1,149	0	*
Frederick S. Humphries	25,283	25,000	*
Ronald Kirk	6,291	5,525	*
Jeffrey A. Marcus	10,000	0	*
James E. Oesterreicher	15,649	14,000	*
Roger T. Staubach	40,031	27,999	*
All executive officers and directors as a group (18 persons)	3,761,061 (3)	2,769,445	5.46%

* Less than one percent

(1) Beneficial ownership has been determined in accordance with

the rules of the Securities and Exchange Commission. Except as noted, and except for any community property interests owned by spouses, the listed individuals have sole investment power and sole voting power as to all shares of stock of which they are identified as being the beneficial owners.

(2) Includes shares of Common Stock which may be acquired by exercise of options vested, or vesting within 60 days of September 11, 2000, under the Company's 1983 Incentive Stock Option Plan, 1992 Incentive Stock Option Plan and 1991 Stock Option Plan for Non-Employee Directors and Consultants, as applicable.

(3) Includes 20,250 shares of Common Stock held of record by a family trust of which Mr. Brinker is trustee.

The Company has established a guideline that all senior officers of the Company own stock in the Company, believing that it is important to further encourage and support an ownership mentality among the senior officers that will continue to align their personal financial interests with the long-term interests of the Company's shareholders. Pursuant to the guideline, the minimum amount of Company Common Stock that a senior officer will be encouraged to own will be determined by such officer's position within the Company as well as annual compensation. The Company has established a program with a third-party lender pursuant to which the senior officers will be able to obtain financing for purposes of attaining the stock ownership levels referred to above. Any loans obtained by such senior officers to finance such stock acquisitions are facilitated by the Company pursuant to an agreement in which the senior officer pledges the underlying stock and future incentive payments which may be receivable from the Company as security for the loan.

DIRECTORS AND EXECUTIVE OFFICERS

Directors

A brief description of each person nominated to become a director of the Company is provided below. All nominees are currently serving as directors of the Company. Each of the current directors was elected at the last annual meeting of the Company's shareholders held on November 4, 1999.

Norman E. Brinker, 69, has served as Chairman of the Board of Directors since 1983. He was also Chief Executive Officer of the Company from September 1983 to June 1995, with the exception of a brief period during which he was incapacitated due to an injury. Mr. Brinker is a member of the Executive and Nominating Committees of the Company. He was the founder of S&A Restaurant Corp. in 1966, and served as its Chairman of the Board of Directors and Chief Executive Officer from 1977 through 1983. From 1982 through 1983, Mr. Brinker served as Chairman of the Board of Directors and Chief Executive Officer of Burger King Corporation, while simultaneously occupying the position of President of The Pillsbury Company Restaurant Group. Mr. Brinker currently serves as a member of the Board of Directors of Haggar Clothing Company and Petsmart, Inc.

Ronald A. McDougall, 58, was elected Vice Chairman and Chief Executive Officer in January 1999, having formerly held the office of President and Chief Executive Officer of the Company since June 1995 and President and Chief Operating Officer from 1986 to 1995. Mr. McDougall joined the Company in 1983 and served as Executive Vice President - Marketing and Strategic Development until his promotion to President. Prior to joining the Company, Mr. McDougall held senior management positions at Proctor and Gamble, Sara Lee, The Pillsbury Company and S&A Restaurant Corp. Mr. McDougall has served as a member of the Board of Directors of the Company since 1983 and is a member of the Executive and Nominating Committees of the Company. Mr. McDougall also serves on the Board of Trustees of the Cooper Institute for Aerobics Research.

Douglas H. Brooks, 48, became President and Chief Operating Officer of the Company in January 1999. Previously, Mr. Brooks served as Chili's Grill & Bar ("Chili's") President from June 1994 to May 1998 and Executive Vice President and Chief Operating Officer from May 1998 until January 1999. Mr. Brooks joined the Company as an Assistant Manager in 1978 and was promoted to General Manager later that year. He was named Area Supervisor in 1979, Regional Director in 1982, Senior Vice President - Central Region Operations in 1987, and Senior Vice President - Chili's Operations in 1992. He held this position until becoming President of Chili's in 1994. Mr. Brooks serves on the Board of Directors of Limbs for Life and Circle Ten Council - Boy Scouts of America and is a member of the Professional Advisory Board for St. Jude Children's Research Hospital.

Donald J. Carty, 54, was named Chairman, President and Chief Executive Officer of AMR Corp. and American Airlines, Inc. in May 1998, after serving as President from March 1995 until May 1998. From 1989 to 1995, he served American Airlines, Inc. and AMR Corp. as Executive Vice President - Finance and Planning. He joined American in 1978 and held numerous finance and planning positions, with the exception of a two-year hiatus as President and Chief Executive Officer of CP Air in Canada. He serves on the Board of Directors of Dell Computer Corporation and is a member of the Dallas Citizens Council and the Southern Methodist University Board of Trustees. Mr. Carty has served on the Board of Directors since June 1998 and is a member of the Executive Committee of the Company.

Dan W. Cook, III, 65, is a Senior Director of Goldman Sachs, an investment banking firm. Mr. Cook joined Goldman Sachs Group in 1961 and was a general partner when he retired in 1992. Mr. Cook is a member of the Executive and Compensation Committees of the Company and has served as a member of the Board of Directors since October 1997. Mr. Cook also serves on the Board of Directors for Centex Corporation and GreatLodge.com. Mr. Cook is a member of the Board of Trustees of Southern Methodist University as well as Vice-Chair of the Edwin L. Cox School of Business Executive Board.

Marvin J. Girouard, 61, is the Chairman, President and Chief Executive Officer of Pier 1 Imports, Inc., having been elected to the position of Chairman in February 1999, President in August 1988 and Chief Executive Officer in June 1998. Mr. Girouard previously served as Chief Operating Officer from 1988 to 1998. Mr. Girouard joined Pier 1 Imports in 1975 and has served on its Board of Directors since 1988. He serves as a Director for Tandy Brands Accessories, Inc. and is a member of the Executive Committee for the United States Committee for UNICEF - The United Nations Children's Emergency Fund. Mr. Girouard has served as a member of the Board of Directors since September 1998 and is a member of the Audit, Compensation and Executive Committees of the Company.

Frederick S. Humphries, 64, is the President of Florida A&M University in Tallahassee, Florida, having held this position since 1985. Prior to joining Florida A&M University, Dr. Humphries was President of Tennessee State University in Nashville for over 10 years. Dr. Humphries serves as a member of the USDA Task Force of 1890 Land-Grant Institutions in addition to being involved in various civic and community activities. Dr. Humphries has served on the Board of Directors of the Company since May 1994 and is a member of the Audit Committee of the Company. He is also a member of the Board of Directors of WalMart, Inc.

Ronald Kirk, 46, is currently Mayor of the City of Dallas and a partner in the law firm of Gardere & Wynne, L.L.P. He was elected Mayor in 1995, and previously served as Secretary of State of the State of Texas from 1994 to 1995. Mr. Kirk was engaged in the private practice of law from 1989 to 1994, served as an Assistant City Attorney for Dallas from 1983 to 1989 and as a legislative aide to U.S. Senator Lloyd Bentsen from 1983 to 1989. Mayor Kirk is an honors graduate of Austin College and earned his law degree from The University of Texas. Mayor Kirk has served on the Board of Directors since January 1997 and is a member of the Nominating Committee of the Company.

Jeffrey A. Marcus, 53, is the Chairman and Chief Executive Officer of eVentures Group, Inc., an internet communications holding company, a position he has held since April 2000. He previously served as a Partner of Marcus & Partners, a private equity investment firm, from March 1999 until April 2000 and President and Chief Executive Officer of AMFM, Inc. (formerly Chancellor Media Corporation), from May 1998 until March 1999. Previously, Mr. Marcus was Chairman, President and Chief Executive Officer of Marcus Cable Company, a company he formed in 1990 after spending more than 20 years in the cable television industry. Mr. Marcus is active in several civic and charitable organizations. Mr. Marcus has served on the Board of Directors since January 1997 and is a member of the Executive and Nominating Committees of the Company.

James E. Oesterreicher, 59, is the Retired Chairman of the Board of J.C. Penney Company, Inc., having served as Chairman of the Board and Chief Executive Officer from January 1997 until September 2000 and Vice Chairman and Chief Executive Officer from January 1995 until January 1997. Mr. Oesterreicher served as President of JCPenney Stores and Catalog from 1992 to 1995 and as Director of JCPenney Stores from 1988 to 1992. Mr. Oesterreicher has been with the J.C. Penney Company since 1964 where he started as a management trainee. He serves as a Director for various entities, including The Dial Corporation, TXU Corp., Texas Health Resources, National Retail Federation, Circle Ten Council - Boy Scouts of America, March of Dimes Birth Defects Foundation, and The Conference Board. Mr. Oesterreicher has served as a member of the Board of Directors of the Company since May 1994 and is a member of the Audit, Compensation and Nominating Committees of the Company.

Roger T. Staubach, 58, has been Chairman of the Board and Chief Executive Officer of The Staubach Company, a national real estate company specializing in tenant representation, since 1982. Mr. Staubach is a 1965 graduate of the U.S. Naval Academy and served four years in the Navy as an officer. In 1968, he joined the Dallas Cowboys professional football team as quarterback and was elected to the National Football League Hall of Fame in 1985.

He currently serves on the Board of Directors of American AAdvantage Funds and is active in numerous civic, charity and professional organizations. He has served as a member of the Board of Directors of the Company since 1993 and is a member of the Nominating Committee of the Company.

Executive Officers

The following persons are executive officers of the Company who are not nominated to serve on the Company's Board of Directors:

Kenneth D. Dennis, 47, has been Mexican Concepts (Cozymel's Coastal Mexican Grill ("Cozymel's") and On The Border Mexican Grill & Cantina) President since October 1999, having previously served as Cozymel's President since September 1997, and Senior Vice President and Chief Operating Officer of Cozymel's since February 1997. Mr. Dennis joined the Company as a Manager in 1976 and was named General Manager in 1978, Director of Internal Systems in 1979, and Director of Marketing in 1983. Mr. Dennis was promoted to Vice President of Marketing in 1986 and to Senior Vice President of Marketing in 1993, a position he held until February 1997.

Todd E. Diener, 43, was elected Chili's Grill & Bar President in May 1998, having previously served as Chili's Senior Vice President and Chief Operating Officer since July 1996. Mr. Diener joined the Company as a Chili's Manager Trainee in 1981 and was promoted to General Manager in 1983, Area Director in 1985, and Regional Director in 1987. Mr. Diener became Regional Vice President in 1989, a position he held until July 1996.

John C. Miller, 45, has served as Romano's Macaroni Grill President since April 1997. Mr. Miller joined the Company as Vice President-Special Concepts in 1987. In 1988, he was elected Vice President - Joint Venture/Franchise and served in this capacity until 1993 when he was promoted to Senior Vice President - - New Concept Development. Mr. Miller was named Senior Vice President - Mexican Concepts in September 1994 and was subsequently elected Senior Vice President and Mexican Concepts President in October 1995, a position he held until April 1997. Prior to joining the Company, Mr. Miller worked in various capacities with the Taco Bueno Division of Unigate Restaurants.

Russell G. Owens, 41, has served as Executive Vice President and Chief Financial and Strategic Officer since September 1997. Mr. Owens joined the Company in 1983 as Controller. He was elected Vice President of Planning in 1986 and Vice President of Operations Analysis in 1991. Mr. Owens was promoted to Senior Vice President of Operations Analysis in 1993 and was named Senior Vice President of Strategic Development - Italian Concepts in 1996, a position he held until being elected Chief Strategic Officer in June 1997. Prior to joining the Company, Mr. Owens worked for the public accounting firm, Deloitte & Touche.

Roger F. Thomson, 51, has served as Executive Vice President, Chief Administrative Officer, General Counsel and Secretary since June 1996. Mr. Thomson joined the Company as Senior Vice President, General Counsel and Secretary in 1993 and was promoted to Executive Vice President, General Counsel and Secretary in 1994. Mr. Thomson served as a Director of the Company from 1993 until 1995. From 1988 until 1993, Mr. Thomson served as Senior Vice President, General Counsel and Secretary for Burger King Corporation. Prior to 1988, Mr. Thomson spent ten years at S & A Restaurant Corp. where he was Executive Vice President, General Counsel and Secretary.

Mark F. Tormey, 47, has served as Maggiano's Little Italy President since November 1997, having joined the Company as Senior Vice President and Chief Operating Officer of Maggiano's Little Italy in 1995. Prior to joining the Company, Mr. Tormey worked for Lettuce Entertain You Enterprises, Inc. since 1979. In 1991, Mr. Tormey opened the first Maggiano's Little Italy restaurant and worked with the Maggiano's Little Italy group at Lettuce Entertain You Enterprises, Inc. until its acquisition by the Company in 1995.

David Wolfgram, 42, has served as Corner Bakery Cafe ("Corner Bakery") President since November 1997, having joined the Company as Senior Vice President and Chief Operating Officer of Corner Bakery in August 1995. Mr. Wolfgram joined Lettuce Entertain You Enterprises, Inc. in 1980 and served as Vice President and Managing Partner with Lettuce Entertain You Enterprises, Inc. from 1989 until Corner Bakery was acquired by the Company in August 1995.

Classes of Directors

For purposes of determining whether non-employee directors will be nominated for reelection to the Board of Directors, the non-employee directors have been divided into four classes. Each non-employee director will continue to be subject to reelection by the shareholders of the Company each year. However, after a non-employee director has served on the Board of Directors for four years, such director shall be deemed to have been advised by the Nominating Committee that he or she will not stand for reelection at the subsequent annual meeting of shareholders and shall be considered a "Retiring Director." Notwithstanding this policy, the Nominating Committee may determine that it is appropriate to renominate any or all of the Retiring Directors after first considering the appropriateness of nominating new candidates for election to the Board of Directors. Mr. J.M. Haggar, Jr. is a Retiring Director and is leaving the Board of Directors after fifteen years of service. The four classes of non-employee directors are as follows: Messrs. Girouard, Humphries and Oesterreicher comprise Class 1 and will be considered Retiring Directors as of the annual meeting of shareholders following the end of the 2002 fiscal year. There are no members of Class 2. Messrs. Kirk and Marcus comprise Class 3 and will be considered Retiring Directors as of the annual meeting of shareholders following the end of the 2004 fiscal year. Messrs. Carty, Cook and Staubach comprise Class 4 and will be considered Retiring Directors as of the annual meeting of shareholders following the end of the 2001 fiscal year.

Committees of the Board of Directors

The Board of Directors of the Company has established an Executive Committee, Audit Committee, Compensation Committee, and Nominating Committee. The Executive Committee (currently comprised of Messrs. Brinker, McDougall, Carty, Cook, Girouard, and Marcus) met one time during the fiscal year. The Executive Committee reviews material matters during the intervals between Board meetings, provides advice and counsel to Company management during such intervals, and has the authority to act for the Board on most matters during the intervals between Board meetings. In addition, the Executive Committee is also charged with assuring that the Company has a satisfactory succession management plan for all key management positions.

All of the members of the Audit and Compensation Committees are directors independent of management who are not and never have been officers or employees of the Company. The Audit Committee is currently comprised of Messrs. Girouard, Haggar, Humphries, and Oesterreicher, and it met five times during the fiscal year. Included among the functions performed by the Audit Committee are: the review with independent auditors of the audit strategy, plan and scope and the results of the annual audit conducted by such independent auditors, consideration and recommendation to the Board of the selection of the independent auditors for the next fiscal year, the review with management and the independent auditors of the annual financial statements of the Company, and the review of the scope and adequacy of internal audit activities.

The Compensation Committee is currently comprised of Messrs. Cook, Girouard, Haggar and Oesterreicher, and it met three times during the fiscal year. Functions performed by the Compensation Committee include: reviewing the performance of the Chief Executive Officer, approving key executive promotions, ensuring the reasonableness and appropriateness of senior management compensation arrangements and levels, the adoption, amendment and administration of stock-based incentive plans (subject to shareholder approval where required), management of the various stock option plans of the Company, approval of the total number of available shares to be used each year in stock-based plans, and approval of the adoption and amendment of significant compensation plans. The specific nature of the Committee's responsibilities as they relate to executive officers is set forth below under "Report of the Compensation Committee."

The purposes of the Nominating Committee are to recommend to the Board of Directors potential members to be added as new or replacement members to the Board of Directors, to review the compensation paid to non-management Board members, and to recommend corporate governance guidelines to the full Board of Directors. The Nominating Committee will consider a shareholder-recommended nomination for director to be voted upon at the 2001 annual meeting of shareholders provided that the recommendation must be in writing, set forth the name and address of the nominee, contain the consent of the nominee to serve, and be submitted on or before May 25, 2001. The Nominating Committee is composed of Messrs. Brinker, McDougall, Kirk, Marcus, Oesterreicher, and Staubach and it met two times during the fiscal year.

During the fiscal year ended June 28, 2000, the Board of Directors held four meetings; each incumbent director attended at least 75% of the aggregate total of meetings of the Board of Directors and Committees on which he served.

Directors' Compensation

Directors who are not employees of the Company receive $1,000 for each meeting of the Board of Directors attended and $1,000 for each meeting of any committee of the Board of Directors attended. The Company also reimburses directors for costs incurred by them in attending meetings of the Board.

Directors who are not employees of the Company receive grants of stock options or restricted stock under the Company's 1999 Stock Option and Incentive Plan for Non-Employee Directors and Consultants. A new director who is not an employee of the

Company will receive as compensation (a) 20,000 stock options at the beginning of such director's term, and (b) an annual payment of $36,000, at least 25% of which must be taken in the form of stock options or restricted stock. If a director is appointed to the Board of Directors at any time other than at an annual meeting of shareholders, the director will receive a prorated portion of the annual cash compensation for the period from the date of election or appointment to the Board of Directors until the meeting of the Board of Directors held contemporaneous with the next annual meeting of shareholders. If a director elects to receive cash, the first payment will be made at the Board of Directors' meeting held contemporaneous with the next annual meeting of shareholders. The stock options and restricted stock will be granted as of the sixtieth day following such meeting (or if the sixtieth day is not a business day, on the first business day thereafter) at the fair market value of the underlying Common Stock on the date of grant. One-third of the stock options will vest on each of the second, third and fourth anniversaries of the date of grant. All of the restricted stock will vest on the fourth anniversary of the date of grant. If a director is a Retiring Director who is being nominated for an additional term on the Board of Directors, each such renominated director will receive an additional grant of 10,000 stock options at the beginning of such director's new term.

EXECUTIVE COMPENSATION

The following summary compensation table sets forth the annual compensation for the Company's five highest compensated executive officers, including the Chief Executive Officer, whose salary and bonus exceeded $100,000 in fiscal 2000.

Summary Compensation Table

				Long-Term Compensation			
				Awards		Payouts	
				Restricted	Securities	Long-Term	
Name and		Annual Compensation		Stock	Underlying	Incentive	All Other
Principal Position	Year	Salary	Bonus	Awards (1)	Options	Payouts	Compensation (2)
Ronald A. McDougall							
Vice Chairman and	2000	$ 978,462	$1,357,616	$973,204	120,000	$174,187	$ 29,112
Chief Executive	1999	$ 929,154	$1,080,142	$ 0	200,000	$106,100	$ 20,652
Officer	1998	$ 861,442	$1,033,731	$ 0	200,000	$ 76,633	$ 30,397
Douglas H. Brooks							
President and	2000	$ 624,231	$ 866,121	$605,398	75,000	$110,050	$ 19,803
Chief Operating	1999	$ 541,154	$ 555,515	$ 0	125,000	$ 69,505	$ 17,491
Officer	1998	$ 387,308	$ 255,623	$ 0	60,000	$ 45,980	$ 16,595
Russell G. Owens							
Executive Vice	2000	$ 398,462	$ 368,578	$435,337	50,000	$ 66,504	$ 16,124
President and Chief	1999	$ 350,000	$ 271,251	$ 0	75,000	$ 62,898	$ 14,220
Financial and	1998	$ 286,577	$ 229,262	$ 0	50,000	$ 37,473	$ 13,319
Strategic Officer							
Roger F. Thomson							
Executive Vice	2000	$ 374,231	$ 346,164	$320,804	31,000	$ 45,914	$ 33,886
President, Chief	1999	$ 349,885	$ 271,161	$ 0	50,000	$ 79,575	$ 13,909
Administrative Officer,	1998	$ 334,692	$ 267,754	$ 0	50,000	$ 57,475	$ 16,501
General Counsel and							
Secretary							
Todd E. Diener							
Chili's Grill &	2000	$ 355,962	$ 293,354	$200,731	25,000	$107,346	$ 57,531
Bar President	1999	$ 330,673	$ 259,929	$ 0	60,000	$ 0	$ 16,840
	1998	$ 231,385	$ 160,917	$ 0	20,000	$ 0	$ 11,179

(1) Restricted stock was granted to the named officers on August 13, 1999 and November 4, 1999 and such restricted stock is valued at the closing price of the Company Common Stock on the grant dates. Mr. McDougall was awarded 39,700 shares of restricted stock during the last fiscal year, 6,210 shares of which vested on August 13, 2000, 3,105 shares of which will vest on August 13, 2001, 15,193 shares of which will vest on November 4, 2001, and 15,192 shares of which will vest on November 4, 2002. Mr. Brooks was awarded 24,700 shares of restricted stock during the last fiscal year, 3,806 shares of which vested on August 13, 2000, 1,903 shares of which will vest on August 13, 2001, 9,496 shares of which will vest on November 4, 2001, and 9,495 shares of which will vest on November 4, 2002. Mr. Owens was awarded 17,754 shares of restricted stock during the last fiscal year, 3,105 shares of which vested on August 13, 2000, 1,552 shares of which will vest on August 13, 2001, 6,549 shares of which will vest on November 4, 2001, and 6,548 shares of which will vest on November 4, 2002. Mr. Thomson was awarded 13,013 shares of restricted stock during the last fiscal year, 3,105 shares of which vested on August 13, 2000, 1,552 shares of which will vest on August 13, 2001, 4,178 shares of which will vest on November 4, 2001, and 4,178 shares of which will vest on November 4, 2002. Mr. Diener was awarded 8,180 shares of restricted stock during the last fiscal year, 1,402 shares of which vested on August 13, 2000, 701 shares of which will vest on August 13, 2001, 3,039 shares of which will vest on November 4, 2001, and 3,038 shares of which

will vest on November 4, 2002. The aggregate value of the restricted stock owned by each of the named executive officers at the end of the last fiscal year (at $29.5625 per share) was $1,173,631 for Mr. McDougall, $730,194 for Mr. Brooks, $524,321 for Mr. Owens, $384,697 for Mr. Thomson and $241,821 for Mr. Diener. If dividends are paid by the Company on its Common Stock, the owners of restricted stock will be entitled to receive dividends on shares of restricted stock owned by them. For those named officers who have compensation in excess of $1,000,000 in any year in which shares of restricted stock are granted, the vesting of such restricted stock shall occur on the designated vesting dates only if performance objections are allocated.

(2) All other compensation represents Company match on deferred compensation and various fringe benefits including car allowance and reimbursement of tax preparation, financial planning, health club expenses and, in the case of Mr. Diener for fiscal 2000, reimbursement of relocation expenses.

Option Grants During 2000 Fiscal Year

The following table contains certain information concerning the grant of stock options pursuant to the Company's Stock Option and Incentive Plan to the executive officers named in the above compensation table during the Company's last fiscal year.

Name	Options Granted	% of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price	Expiration Date	Realizable Value of Assumed Annual Rates of Stock Price Appreciation for Option Term (1) 5%	10%
Ronald A. McDougall	120,000	7.19%	$24.1875	11/04/09	$1,825,368	$4,625,832
Douglas H. Brooks	75,000	4.49%	$24.1875	11/04/09	$1,140,855	$2,891,145
Russell G. Owens	50,000	2.99%	$24.1875	11/04/09	$ 760,570	$1,927,430
Roger F. Thomson	31,000	1.86%	$24.1875	11/04/09	$ 471,553	$1,195,007
Todd E. Diener	25,000	1.50%	$24.1875	11/04/09	$ 380,285	$ 963,715

(1) The dollar amounts under these columns are the result of calculations at the 5% and 10% rates set by the Securities and Exchange Commission and, therefore, are not intended to forecast possible future appreciation, if any, of the Company's stock price.

Stock Option Exercises and Fiscal Year End Value Table

The following table shows stock option exercises by the named officers during the last fiscal year, including the aggregate value of gains on the date of exercise. In addition, this table includes the number of shares covered by both exercisable and non-exercisable stock options at fiscal year end. Also reported are the values for "in-the-money" options which represent the position spread between the exercise price of any such existing options and the $29.5625 fiscal year end price of the Company's Common Stock.

Name	Shares Acquired On Exercise	Value Realized	Number of Unexercised Options at Fiscal Year End Exercisable	Unexercisable	Value of Unexercised In-the-Money Options at Fiscal Year End Exercisable	Unexercisable
Ronald A. McDougall	335,000	$6,407,263	777,500	545,000	$9,324,611	$4,834,063
Douglas H. Brooks	50,625	$1,085,957	348,875	260,000	$5,206,085	$1,718,438
Russell G. Owens	20,000	$ 322,225	155,708	180,000	$2,301,523	$1,365,625
Roger F. Thomson	247,500	$2,467,829	0	136,000	$ 0	$1,193,188
Todd E. Diener	18,202	$ 194,988	56,411	95,000	$ 841,700	$ 458,750

REPORT OF THE COMPENSATION COMMITTEE

Compensation Philosophy

The executive compensation program is designed as a tool to reinforce the Company's strategic principles - to be a premiere and progressive growth company with a balanced approach towards people, quality and profitability and to enhance long-term shareholder value. To this end, the following principles have guided the development of the executive compensation program:

Provide competitive levels of compensation to attract and retain the best qualified executive talent. The Committee strongly believes that the caliber of the Company's management group makes a significant difference in the Company's sustained success over the long term.

- Embrace a pay-for-performance philosophy by placing significant amounts of compensation "at risk" - that is, compensation payouts to executives will vary according to the overall performance of the Company.

- Directly link executives' interests with those of shareholders by providing opportunities for long-term incentive compensation based on changes in shareholder value.

The executive compensation program is intended to appropriately balance the Company's short-term operating goals with its long-term strategy through a careful mix of base salary, annual cash incentives and long-term performance compensation including cash incentives, stock options and shares of restricted stock.

Base Salaries

Executives' base salaries and total compensation are targeted to be competitive between the 75th and 90th percentiles of the market for positions of similar responsibility and scope to reflect the exceptionally high level of executive talent required to execute the growth plans of the Company. Positioning executives' base salaries at these levels is necessary for attracting, retaining and motivating executives with the essential qualifications for managing the Company's growth. The Company defines the relevant labor market for such executive talent through the use of third-party executive salary surveys that reflect both the chain restaurant industry as well as a broader cross-section of companies from many industries. Individual base salary levels are determined by considering market data for each officer's position, level of responsibility, performance, and experience. The overall amount of base salary increases awarded to executives reflects the financial performance of the Company, individual performance and potential, and/or changes in an officer's duties and responsibilities.

Annual Incentives

The Company's Profit Sharing Plan is a non-qualified annual incentive arrangement in which all corporate employees, including executives, participate. The program is designed to reflect employees' contribution to the growth of the Company's Common Stock value by increasing the earnings of the Company. The plan reinforces a strong teamwork ethic by making the basis for payouts to non-restaurant concept executives the same as for all other non-restaurant concept corporate employees and by making the basis for payouts to executives of one of the Company's restaurant concepts the same as for all other members of such restaurant concept's corporate team.

At the beginning of a fiscal year, each executive is assigned an Individual Participation Percentage ("IPP") of the base salary for such executive that targets overall total cash compensation for executives between the 75th and 90th percentiles of the market. The IPPs reflect the Committee's desire that a significant percentage of executives' total compensation be derived from variable pay programs.

401(k) Savings Plan and Savings Plan II

The Company's 401(k) Savings Plan ("Plan I") and Savings Plan II ("Plan II") are designed to provide the Company's employees with a tax-deferred long-term savings vehicle. The Company provides a matching contribution equal to twenty-five percent of a salaried participant's contribution, up to a maximum of five percent of such participant's base compensation.

Plan I is a qualified 401(k) plan. Participants in Plan I elect the percentage of pay they wish to contribute as well as the investment alternatives in which their contributions are to be invested. The Company's matching contribution for all Plan I participants is made in Company Common Stock. All participants in Plan I are considered non-highly compensated employees as defined by the Internal Revenue Service. A participant's contributions vest immediately while Company contributions vest twenty-five percent annually, beginning in the participant's second year of eligibility.

Plan II is a non-qualified deferred compensation plan. Plan II participants elect the percentage of pay they wish to defer into their Plan II account. They also elect the percentage of their deferral account to be allocated among various investment options. The Company's matching contribution for all non-officer Plan II participants is made in Company Common Stock, with corporate officers receiving a Company match in cash. Participants in Plan II are considered a select group of management and highly compensated employees according to the Department of Labor. A participant's contributions vest immediately while Company contributions vest twenty-five percent annually, beginning in the participant's second year of eligibility.

Long-Term Incentives

All salaried employees of the Company, including executives, are eligible for annual grants of tax-qualified and non-qualified stock options. By tying a significant portion of executives' total opportunity for financial gain to increases in shareholder wealth as reflected by the market price of the Company's Common Stock, executives' interests are closely aligned with shareholders' long-term interests. In addition, because the Company does not maintain any qualified retirement programs for executives, the stock option plan is intended to provide executives with opportunities to accumulate wealth for later retirement.

Stock options are rights to purchase shares of the Company's Common Stock at the fair market value of the underlying Common Stock as of the date of grant. Grantees do not receive a benefit from stock options unless and until the market price of the Company's Common Stock increases. Fifty percent of a stock option grant becomes exercisable two years after the grant date; the remaining fifty percent of a grant becomes exercisable three years after the grant date.

The number of stock options granted to an executive is determined by the Compensation Committee and is based on grant guidelines set by the Compensation Committee that reflect market data and the officer's position within the Company. Commencing with the 2000 fiscal year, annual grants of stock options to officers of the Company were reduced and such officers began to receive annual grants of restricted stock. Fifty percent of the restricted stock becomes vested two years after the grant date; the remaining fifty percent becomes vested three years after the grant date.

Pursuant to the Executive Long-Term Incentive Plan, the value of each officer's long-term compensation package, previously payable in cash, was reallocated among restricted stock and cash. At the beginning of a three-year performance period, target payouts of both cash and restricted stock are determined for each participant. At the end of the performance period, these payouts will be made (in cash and in restricted stock) based upon performance against the three-year target earnings per share (for corporate officers) or profit before taxes (for restaurant concept officers) amounts established by the Compensation Committee of the Board of Directors. The restricted stock vests one-third each year commencing one year after the date of award. The Executive Long-Term Incentive Plan is being phased in over a three-year period beginning in the 2000 fiscal year. Full target payouts will become effective after the completion of the 2002 fiscal year when the performance results for the full 2000, 2001, and 2002 three-year cycle are known.

Pay/Performance Nexus

The Company's executive compensation program has resulted in a direct relationship between the compensation paid to executive officers and the Company's performance. See "Five-Year Total Shareholder Return Comparison" below.

CEO Compensation

The Compensation Committee made decisions regarding Mr. McDougall's compensation package according to the guidelines discussed in the preceding sections. Mr. McDougall was awarded a salary increase in the amount of 2.04%, effective June 29, 2000, to recognize his vast experience in the restaurant industry, the Company's performance under his leadership and his significant contributions to the Company's continued success. Mr. McDougall was granted 120,000 stock options and 39,700 shares of restricted stock under the Company's Stock Option and Incentive Plan. Approximately 58% of Mr. McDougall's cash compensation for fiscal 2000 was incentive pay pursuant to the Company's Profit Sharing Plan. Like all Company executives, Mr. McDougall's compensation is significantly affected by the Company's performance. In the 2000 fiscal year, Mr. McDougall's total cash compensation increased 16% from its level in the 1999 fiscal year.

Federal Income Tax Considerations

The Compensation Committee has considered the impact of Section 162(m) of the Internal Revenue Code adopted under the Omnibus Budget Reconciliation Act of 1993. This section disallows a tax deduction for any publicly-held corporation for individual compensation to certain executives of such corporation exceeding $1,000,000 in any taxable year, unless compensation is performance-based. It is the intent of the Company and the Compensation Committee to qualify to the maximum extent possible its executives' compensation for deductibility under applicable tax laws. The Compensation Committee believes that the Company's compensation programs provide the necessary incentives and flexibility to promote the Company's performance-based compensation philosophy while being consistent with Company objectives.

The Compensation Committee's administration of the executive compensation program is in accordance with the principles outlined at the beginning of this report. The Company's financial performance supports the compensation practices employed during the past year.

Respectfully submitted,
COMPENSATION COMMITTEE

DAN W. COOK, III
MARVIN J. GIROUARD
J.M. HAGGAR, JR.
JAMES E. OESTERREICHER

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under the securities laws of the United States, the Company's directors and executive officers, and persons who own more than ten percent of the Company's Common Stock are required to report their initial ownership of the Company's Common Stock and any subsequent changes in that ownership to the Securities and Exchange Commission. Specific due dates have been established for these reports and the Company is required to disclose in this proxy statement, any failure to file by these dates. The Company believes that all filing requirements were satisfied. In making these disclosures and filing the reports, the Company has relied solely on written representations from certain reporting persons.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee of the Board of Directors consists of Messrs. Dan W. Cook, III, Marvin J. Girouard, J.M. Haggar, Jr., and James E. Oesterriecher, none of whom serve or previously served as employees or officers of the Company.

The policy of the Company is, to the extent practicable, to avoid transactions (except those which are employment related) with officers, directors, and affiliates. In any event, any such transactions will be entered into on terms no less favorable to the Company than could be obtained from third parties, and such transactions will be approved by a majority of the disinterested directors of the Company. Except for the transactions described below, there were no transactions required to be reported in the last fiscal year.

On June 28, 1995, Mr. Norman Brinker contractually agreed to remain as Chairman of the Board (subject to annual reelection by the shareholders) through the 2001 fiscal year. Under this agreement, Mr. Brinker's compensation will not materially differ from his compensation on June 28, 1995. However, Mr. Brinker's total base compensation and profit sharing distributions in the 1998 through 2001 fiscal years will not exceed $1,000,000 per year. Upon Mr. Brinker's death, retirement or termination for cause, no further payment shall be made pursuant to this agreement.

Upon the expiration of the agreement described above, Mr. Brinker will remain a consultant to the Company through the 2021 fiscal year. Mr. Brinker will be compensated commensurate with his continuing contributions to the Company; however, during this time, he will no longer participate in any of the Company's profit sharing or bonus plans. Upon Mr. Brinker's death, retirement or termination for cause, no further payment shall be made pursuant to the consulting agreement.

The Company also entered into an agreement with Mr. Brinker whereby Mr. Brinker conveyed to the Company his likeness, biography, photo, voice and name to be used by the Company in all media, promotions, advertising, training, and other materials as the Company deems appropriate. He will receive as compensation $400,000 per year until the earlier of July 1, 2021 or his death.

Companies controlled by Roger T. Staubach, a director of the Company, provided real estate brokerage services during the 2000 fiscal year in connection with the lease of land by the Company for use as a new restaurant and the sublease by the Company of a closed restaurant to an unrelated third party. These companies were paid $45,000 by the Company's landlord for the services provided on the new restaurant lease and $55,000 by the Company for the services provided on the sublease of the closed restaurant.