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 25, 1997 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 8, 1997 was $1,017,635,913.

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 8, 1997
Common Stock, $0.10 par value	65,367,320 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Annual Report to Shareholders for the fiscal year ended June 25, 1997 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 23, 1997, for its annual meeting of shareholders on November 6, 1997, are incorporated by reference into Part III hereof, to the extent indicated herein.

PART I

Item 1. BUSINESS.

General

Brinker International, Inc. (the "Company") is principally engaged in the operation, development and franchising of the Chili's Grill & Bar ("Chili's"),

Romano's Macaroni Grill ("Macaroni Grill"), On The Border Mexican Cafe ("On The Border"), Cozymel's Coastal Mexican Grill ("Cozymel's"), Maggiano's Little Italy ("Maggiano's"), and the Corner Bakery ("Corner Bakery") restaurant concepts. In addition, the Company is engaged in the operation and development of the Eatzi's Market and Bakery concept. 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.

Restaurant Concepts and Menus

Chili's Grill & Bar

Chili's establishments are full-service Southwestern-themed restaurants, featuring a casual atmosphere and a limited menu of freshly prepared chicken, beef and seafood entrees, 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 or slacks, 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, quality food at modest prices. Entree selections range in menu price from $4.99 to $12.99, with the average revenue per meal, including alcoholic beverages, approximating $9.39 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 25, 1997, food and non-alcoholic beverage sales constituted approximately 86% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 14%.

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 $4.95 to $17.45 with certain specialty items priced on a daily basis. The average revenue per meal, including alcoholic beverages, is approximately $13.14 per person. During the year ended June 25, 1997, food and non-alcoholic beverage sales constituted approximately 85% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 15%.

On The Border Mexican Cafe

On The Border restaurants are full-service, casual Tex-Mex theme restaurants featuring Southwest 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 $13.49, with the average revenue per meal, including alcoholic beverages, approximating $10.71 per person. During the year ended June 25, 1997, food and non-alcoholic beverage sales constituted approximately 79% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 21%.

Cozymel's Coastal Mexican Grill

Cozymel's restaurants are casual, upscale authentic Yucatan restaurants featuring fish, chicken, beef and pork entrees, appetizers, desserts and a full-service bar featuring a wide variety of specialty frozen beverages. Cozymel's restaurants offer an authentic "Yucatan vacation" atmosphere, which includes an outdoor patio. Service personnel are festively attired featuring colorful vests and bow ties.

Entree selections range in menu price from $4.99 to $12.99 with the average revenue per meal, including alcoholic beverages, approximating $13.12 per person. During the year ended June 25, 1997, food and non-alcoholic beverage sales constituted approximately 75% of the concept's total restaurant revenues, with alcoholic beverages accounting for the remaining 25%.

Maggiano's Little Italy

Maggiano's restaurants are designed as classic re-creations of a New York City pre-war "Little Italy" dinner house. The existing restaurants are located in the Chicago metropolitan area, McLean, Virginia, and Atlanta, Georgia. Each of the Maggiano's restaurants is a casual, full-service Italian restaurant with a full lunch and dinner menu, a family-style menu, and banquet facilities, offering southern Italian appetizers, homemade bread, large portions of pasta, chicken, seafood, veal and steak, and a full range of alcoholic beverages. Entree selections range in menu price from $5.99 to $29.95, with the average revenue per meal, including alcoholic beverages, approximating $22.76 per person. During the year ended June 25, 1997, food and non-alcoholic beverage sales constituted approximately 81% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 19%.

Corner Bakery

The Corner Bakery is designed as a retail bakery in the traditional, old world bread bakery style. The Corner Bakery offers handmade hearth-baked loaves, rolls, muffins, brownies, cookies and specialty items made fresh daily. The breads offered by the Corner Bakery include baguettes, country loaves and specialty breads, such as raisin-nut, olive, chocolate-cherry, multi-grains and ryes. In addition, the Corner Bakery also offers pizza, sandwiches, soups and salads. The existing Corner Bakeries are located in the Chicago metropolitan area, McLean, Virginia, Atlanta, Georgia and Union Station in Washington, D.C.

Eatzi's Market and Bakery

Eatzi's is a home meal replacement retail store which offers customers almost everything in the meal spectrum, from fresh produce and raw meats and seafood to high-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, and fresh cut flowers. Large selections of non-alcoholic beverages, wine, and "create your own six-pack" beer are available to complete the meal.

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. The chefs are professionally dressed in white chef's coats and hats with black and white houndstooth pants. Retail service personnel wear black pants, white, banded collar shirts and green aprons.

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 periodically 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 $3.99 to $10.99 with the average revenue per purchase, including alcoholic beverages, approximating $15.00. During the year ended June 25, 1997, food and non-alcoholic beverage sales constituted 93% of the concept's total revenues, with alcoholic beverages accounting for the remaining 7%. The original Eatzi's is located in Dallas, Texas, with an additional Eatzi's having opened in Houston, Texas in August 1997.

Restaurant Locations

At June 25, 1997, the Company's system of company-operated, joint venture and franchised units included 710 restaurants located in 46 states, Canada, Mexico, Singapore, Malaysia, Australia, Egypt, Puerto Rico, France, Indonesia, Great Britain, Korea, Philippines, and United Arab Emirates. The Company's portfolio of restaurants is illustrated below:

	June 25, 1997
Chili's:	
Company-Operated	393
Franchise	144
Macaroni Grill:	
Company-Operated	97
Franchise	2
On The Border:	
Company-Operated	34
Franchise	7
Cozymel's	12
Maggiano's	5
Corner Bakery	15
Eatzi's	1
TOTAL	710

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 on major metropolitan areas in the United States and smaller market areas 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 senior 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 15 restaurants, including 5 in fiscal 1997, 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 1997 and the planned openings in fiscal 1998:

	Fiscal 1997 Openings	Fiscal 1998 Projected Openings
Chili's:		
Company-Operated	30	18-22
Franchise	23	30-40
Macaroni Grill	28	18-20
On The Border:		
Company-Operated	12	15-18
Franchise	5	8-10
Cozymel's	1	0-1
Maggiano's	2	2-3
Corner Bakery	7	10-15
Eatzi's	0	2-3
TOTAL	108	103-132

The Company anticipates that some of the fiscal 1998 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 either leases the land, and pays for the building, furniture, fixtures and equipment from its own funds, or owns the land, building, furniture, fixtures and equipment.

As of June 25, 1997, the Company has lease or purchase commitments for 15 Chili's, 11 Macaroni Grill, 15 On The Border, 1 Maggiano's, 4 Corner Bakery, and 1 Eatzi's restaurant sites. The Company is currently in the process of completing the acquisition of sites for fiscal 1998 projected openings and locating sites for fiscal 1999

projected openings.

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

	Chili's	Macaroni Grill	Corner Bakery	On The Border	Cozymel's
Land	$ 650,000	$ 850,000	$ ---	$ 730,000	$1,200,000
Building	1,100,000	1,300,000	650,000	1,200,000	1,700,000
Furniture & Equipment	430,000	510,000	260,000	610,000	700,000
Other	75,000	75,000	50,000	75,000	80,000
TOTAL	$2,255,000	$2,735,000	$ 960,000	$2,615,000	$3,680,000

The Maggiano's capital investment varies based on the square footage of the restaurant and the "build-to-suit" lease agreement. The five Maggiano's restaurants constructed through June 25, 1997, range in cost from $660,000 to $4,067,000 (excluding land and net of landlord contributions).

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.

Joint Venture and Franchise Operations

The Company intends to continue its expansion through joint venture and franchise development, both domestically and internationally. During the year ended June 25, 1997, 22 new Chili's and 5 On The Border franchised restaurants were opened.

The Company has entered into international franchise agreements which will bring Chili's to China, Peru, Kuwait, Guam, Saudi Arabia, and Colombia in the 1998 fiscal year. In fiscal 1997, the first Chili's restaurants opened in Philippines (December 1996), United Arab Emirates (May 1997), and Korea (June 1997).

The Company intends to continue pursuing 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.

The Company has previously entered into agreements for research and development activities related to the testing of new restaurant concepts and typically has a 25-50% interest in such ventures, which interests are accounted for under the equity method. The Company currently owns a 50% interest in the two Eatzi's stores currently operating in Dallas and Houston, Texas. In addition, the Company holds a 25% interest in the legal entities owning the one Wildfire Restaurant and two Big Bowl Restaurants located in Chicago, Illinois.

At June 25, 1997, 34 total joint venture or franchise development agreements existed. The Company anticipates that an additional 30-40 franchised Chili's and 8-10 franchised On The Border restaurants will be opened during fiscal 1998.

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 & 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, which 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 18 to 54 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 25, 1997, the Company employed approximately 47,000 persons, of whom approximately 800 were corporate personnel, 3,200 were restaurant area directors, managers or trainees and 43,000 were employed in non-management restaurant positions. The executive officers of the Company have an average of more than 19 years of experience in the restaurant industry.

The Company considers its employee relations to be good and believes that its employee turnover rate is lower than 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, "Brinker International", "Chili's", "Chili's Texas Grill", "Chili's Too", "Chili's Bar & Bites", "Chili's Southwest Grill & Bar", "Corner Bakery", "Cozymel's", "Cozymel's Coastal Mexican Grill", "Eatzi's", "Romano's Macaroni Grill", "Macaroni Grill", "Maggiano's Little Italy", "On The Border", and "On The Border Mexican Cafe" as trademarks with the United States Patent and Trademark Office. In addition, the Company has trademark applications pending for "Chili's - A Roadhouse Grill & Bar", and "Eatzi's Market and Bakery".

Risk Factors

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 contained herein regarding cash flow from operations, restaurant openings, operating margins, capital requirements, the availability of acceptable real estate locations for new restaurants, and other matters. Except for historical information, matters discussed in such statements are forward-looking statements that involve risks and uncertainties.

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.

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. The Company does not expect any further significant increases in payroll expenses as a result of the recently-mandated increases in the minimum wage, but 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. If operating expenses increase due to inflation, the Company recovers increased costs by increasing menu prices. However, competition may prohibit such increases in menu prices.

Item 2. PROPERTIES.

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

	Chili's	Macaroni Grill	Corner Bakery	On The Border	Cozymel's
Square Feet	5,600-6,000	7,100	4,300	7,800	10,700
Dining Seats	214-230	235-290	100-110	275-305	320-360
Dining Tables	51-60	60-75	50-60	60-70	70-85

Maggiano's dining capacity varies based upon the square footage of the restaurant. For the five Maggiano's units constructed through June 25, 1997, square footage ranged from 10,900 to 20,600, the number of dining seats ranged from 470 to 840, and the number of dining tables ranged from 100 to 200.

Certain of the Company's restaurants are leased for an initial term of 5 to 30 years, with renewal terms of 1 to 30 years. The leases typically provide for a fixed rental plus percentage rentals based on sales volume. At June 25, 1997, the Company owned the land and/or building for 423 of the 556 Company-operated restaurants. The Company considers that its properties are suitable, adequate, well-maintained and sufficient for the operations contemplated.

The Company leases warehouse space totalling approximately 26,300 square feet in Dallas, 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 (3) buildings and approximately 198,000 square feet for the expansion of its corporate headquarters. Approximately 63,500 square feet of this complex is currently utilized by the Company, with the remaining 134,500 square feet under lease, listed for lease to third party tenants, or reserved for future expansion of the Company headquarters.

Item 3. LEGAL PROCEEDINGS.

None.

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 25, 1997:

First Quarter	17 1/2	13
Second Quarter	18 3/4	16 1/8
Third Quarter	16 5/8	11
Fourth Quarter	14 1/4	11

Fiscal year ended June 26, 1996:

First Quarter	18 7/8	14 7/8
Second Quarter	16 1/8	12
Third Quarter	16 3/4	12 7/8
Fourth Quarter	18 1/2	15 1/2

As of September 8, 1997, there were 1,814 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.

Item 6. SELECTED FINANCIAL DATA.

"Selected Financial Data" on page 33 of the Company's 1997 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 34 through 38 of the Company's 1997 Annual Report to Shareholders is incorporated herein by reference.

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

Not applicable.

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 4-9 and "Section 16(a) Beneficial Ownership Reporting Compliance" on page 15

of the Company's Proxy Statement dated September 23, 1997, for the annual meeting of shareholders on November 6, 1997, are incorporated herein by reference.

Item 11. COMPENSATION INFORMATION.

"Executive Compensation" on pages 10 through 11 and "Report of the Compensation Committee" on pages 12 through 14 of the Company's Proxy Statement dated September 23, 1997, for the annual meeting of shareholders on November 6, 1997, 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 23, 1997, for the annual meeting of shareholders on November 6, 1997, are incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

"Certain Transactions" on page 16 of the Company's Proxy Statement dated September 23, 1997, for the annual meeting of shareholders on November 6, 1997, 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 15 for a listing of all financial statements incorporated herein from the Company's 1997 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 three months ended June 25, 1997.

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: /Russell G. Owens
Russell G. Owens, Executive Vice
President, Chief Strategic Officer
and Chief Financial Officer

Dated: September 23, 1997

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 23, 1997.

Name	Title
/Ronald A. McDougall Ronald A. McDougall	President, Chief Executive Officer and Director (Principal Executive Officer)
/Russell G. Owens Russell G. Owens	Executive Vice President, Chief Strategic Officer and Chief Financial Officer (Principal Financial and Accounting Officer)
/Norman E. Brinker Norman E. Brinker	Chairman of the Board
/Gerard V. Centioli Gerard V. Centioli	Director
Rae F. Evans	Director
/J.M. Haggar, Jr. J.M. Haggar, Jr.	Director
Frederick S. Humphries	Director
/Ronald Kirk Ronald Kirk	Director
/Jeffrey A. Marcus Jeffrey A. Marcus	Director
/James E. Oesterreicher James E. Oesterreicher	Director
/Roger T. Staubach Roger T. Staubach	Director

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 1997 Annual Report to Shareholders are incorporated herein by reference in Item 8.

	1997 Annual Report Page
Consolidated Statements of Income - Years Ended June 25, 1997, June 26, 1996	39

and June 28, 1995

Consolidated Balance Sheets - June 25, 1997 and June 26, 1996 40-41

Consolidated Statements of Shareholders' Equity - Years Ended June 25, 1997, June 26, 1996 and June 28, 1995 42

Consolidated Statements of Cash Flows - Years Ended June 25, 1997, June 26, 1996 and June 28, 1995 43

Notes to Consolidated Financial Statements 44-56

Independent Auditors' Report 57

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)
13	1997 Annual Report to Shareholders. (4)
21	Subsidiaries of the registrant. (3)
23	Independent Auditors' Consent. (3)
27	Financial Data Schedule. (5)
99	Proxy Statement of registrant dated September 23, 1997. (4)

(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 referenced.

(3) Filed herewith.

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

(5) Filed with EDGAR version.

EXHIBIT 10(b)

BRINKER INTERNATIONAL, INC.
1991 STOCK OPTION PLAN FOR
NON-EMPLOYEE DIRECTORS AND CONSULTANTS

INTRODUCTION

The Board of Directors and Shareholders of Brinker International, Inc. (the "Company") adopted a program for granting non-qualified stock options to non-employee directors and consultants which is formalized by the following Stock Option Plan for Non-Employee Directors and Consultants (the "Plan"):

1. PURPOSE. The purpose of the Plan is to provide directors of the Company who are not employees of the Company or its subsidiaries and certain consultants and advisors with a proprietary interest in the Company through the granting of options which will:

a. increase their interest in the Company's welfare;

b. furnish them an incentive to continue their services for the Company; and

c. provide a means through which the Company may attract able persons to serve on its Board of Directors and act as consultants or advisors.

2. ADMINISTRATION. The Plan will be administered by the Committee.

3. PARTICIPANTS. The directors of the Company who are not employees of the Company or its subsidiaries are to be granted options under the Plan. In addition, certain Consultants may be granted options under the Plan. Upon such grant, the optionees will become participants in the Plan.

4. SHARES SUBJECT TO PLAN. Options may not be granted under the Plan for more than 587,500 shares of Common Stock of the Company, but this number may be adjusted to reflect, if deemed appropriate by the Committee, any stock dividend, stock split, share combination, recapitalization or the like, of or by the Company. Shares to be optioned and sold may be made available from either authorized but unissued Common Stock or Common Stock held by the Company in its treasury. Shares that by reason of the expiration of an option or otherwise are no longer subject to purchase pursuant to an option granted under the Plan may be reoffered under the Plan.

5. ALLOTMENT OF SHARES. As part of the overall compensation for directors of the Company, each eligible director, upon being elected to the Board of Directors, shall

receive as partial compensation for serving on the Board of Directors (a) a grant of 20,000 stock options and (b) an annual cash payment, at least 25% of which must be taken in the form of stock options. If a director 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. A director's stock options will be granted as of the 60th day (or if the 60th day is not a business day, on the first business day thereafter) following the date of the annual meeting of shareholders at which such director was elected to the Board of Directors (or, if such director was elected or appointed to the Board of Directors other than at an annual meeting of shareholders), such options will be granted as of the 60th day following the date of election or appointment to the Board of Directors (or if the 60th day is not a business day, on the first business day thereafter). Members of the Board of Directors who have served on the Board of Directors for four (4) years and are asked by the Nominating Committee to continue to serve on the Board of Directors shall be entitled to a grant of 10,000 stock options and the cash compensation described in clause (b) above. The Committee shall determine the number of shares of Common Stock to offer from time to time by grant of options to Consultants. The grant of an option to a Consultant shall not be deemed either to entitle the Consultant to, or to disqualify the Consultant from, participation in any other grant of options under the Plan. The maximum number of shares with respect to which options may be granted pursuant to the Plan to any individual director or consultant during any fiscal year of the Company may in no event exceed 100,000.

6. GRANT OF OPTIONS. All director options under the Plan shall be granted as provided in Section 5. All Consultant options under the Plan shall be granted by the Committee. The grant of options shall be evidenced by stock option agreements containing such terms and provisions as are approved by the Committee, but not inconsistent with the Plan. The Company shall execute stock option agreements upon instructions from the Committee.

7. OPTION PRICE. The option price shall be equal to the closing price of Common Stock on the date the option is granted.

8. OPTION PERIOD. The Option Period will begin on the effective date of the option grant and will terminate on the 10th anniversary of that date. A director option will also terminate at 5:00 p.m. on the date the option holder ceases to be a director of the Company for reasons of dishonesty, whether in the course of directorship or otherwise, or for assisting a competitor of the Company or its subsidiary without permission, or for interfering with the Company's relationship with a customer, or for any similar action or willful breach of duty to the Company (hereinafter collectively referred to as "disloyalty"). The Committee may provide for the exercise of director or Consultant options in installments and upon such terms, conditions, and restrictions as it may determine. The Committee may provide for termination of a Consultant's option in the case of termination of Consultant status or any other reason.

9. RIGHTS IN THE EVENT OF DEATH OR DISABILITY. If a participant dies or becomes disabled prior to termination of his right to exercise an option in accordance with the provisions of his stock option agreements without totally having exercised the option, the unvested portion of the option will become immediately vested and the option may be exercised subject to the provisions of Section 11 hereof, (a) in the case of death, by the participant's estate or by the person who acquired the right to exercise the option by bequest or inheritance or by reason of death of the participant or (b) in the case of disability, by the participant or his personal representative.

10. PAYMENT. Full payment for the shares purchased upon exercising an option shall be made in cash or by check at the time of exercise, or on such other terms as are set forth in the applicable option agreement. No shares may be issued until full payment of the purchase price therefor has been made, and a participant will have none of the rights of a stockholder until shares are issued to him.

11. EXERCISE OF OPTION.

a. Options granted under the Plan to directors may be exercised during the Option Period, at such times, in such amounts, in accordance with such terms and subject to such restrictions as are determined by the Committee and set forth in the applicable stock option agreements. Except as provided in the fourth and fifth sentences of Section 5 and in Section 9,

director options shall be exercisable in the following cumulative installments:

i. Up to one-third of the total optioned shares at any time after the second anniversary of the effective date of grant if the holder is still a director on such anniversary date;

ii. Up to an additional one-third of the total optioned shares at any time after the third anniversary of the effective date of grant if the holder is still a director on such anniversary date; and

iii. Up to an additional one-third of the total optioned shares at any time after the fourth anniversary of the effective date of grant if the holder is still a director on such anniversary date.

Notwithstanding the foregoing, if a director retires from the Board of Directors after serving a four year term, any options granted to such director during his term on the Board of Directors shall be exercisable on the previously referenced anniversary dates even though such director may not be serving on the Board of Directors as of such anniversary date.

b. Options granted to Consultants under the Plan may be exercised during the Option Period, at such times, in such amounts, in accordance with such terms and subject to such restrictions and vesting requirements as are determined by the Committee and set forth in the applicable stock option agreements.

c. The Committee shall provide in stock option agreements that, notwithstanding the grant of an option requiring the exercise thereof in periodic installments, the total number of options granted may be exercisable, at the election of the holder, upon a material change in control of the voting securities of the Company. For purposes hereof, a material change in control of the voting securities of the Company shall be deemed to include, but not necessarily be limited to, the dissolution or liquidation of the Company, a merger of the Company into, or acquisition of the Company by, another entity, the sale or conveyance of all or substantially all of the assets of the Company, the acquisition of a majority of the voting securities of the Company by any person or entity or group of affiliated persons or entities, or any other event as

determined by the Committee.

12. CAPITAL ADJUSTMENTS AND REORGANIZATIONS. The number of shares of Common Stock covered by each outstanding option granted under the Plan and the option price may be adjusted to reflect, as deemed appropriate by the Committee, any stock dividend, stock split, share combination, exchange of shares, recapitalization, merger, consolidation, separation, reorganization, liquidation, or the like, of or by the Company.

13. NON-ASSIGNABILITY. Options may not be transferred other than by will or by the laws of descent and distribution. During a participant's lifetime, options granted to a participant may be exercised only by the participant.

14. INTERPRETATION. The Committee shall interpret the Plan and shall prescribe such rules and regulations in connection with the operation of the Plan as it determines to be advisable for the administration of the Plan. The Committee may rescind and amend its rules and regulations.

15. AMENDMENT OR DISCONTINUANCE. The Plan may be amended or discontinued by the Board of Directors of the Company without the approval of the stockholders of the Company, except that any amendment that would (a) materially increase the benefits accruing to participants under the Plan, (b) materially increase the number of securities that may be issued under the Plan, or (c) materially modify the requirements of eligibility for participation in the Plan must be approved by the stockholders of the Company. In addition, to the extent that an amendment would affect director options, the Plan shall not be amended more than once every six (6) months, other than to comport with changes in the Internal Revenue Code of 1986, as amended, the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder.

16. EFFECT OF PLAN. Neither the adoption of the Plan nor any action of the Committee shall be deemed to give any director or Consultant any right to be granted an option to purchase Common Stock of the Company or any other rights except as may be evidenced by the stock option agreement, or any amendment thereto, duly authorized by the Committee and executed on behalf of the Company and then only to the extent and on the terms and conditions expressly set forth therein.

17. TERM. Unless sooner terminated by action of the

Committee, this Plan will terminate on May 14, 2001. The Committee may not grant options under the Plan after that date, but options granted before that date will continue to be effective in accordance with their terms.

18. DEFINITIONS. For the purpose of this Plan, unless the context requires otherwise, the following terms shall have the meanings indicated:

a. "Committee" means the Executive Committee of the Board of Directors of the Company;

b. "Common Stock" means the Common Stock which the Company is currently authorized to issue or may in the future be authorized to issue (as long as the common stock varies from that currently authorized, if at all, only in amount of par value);

c. "Company" means Brinker International, Inc., a Delaware corporation;

d. "Consultant" means a consultant or advisor who is not an officer, director, or ten percent (10%) stockholder of the Company within the meaning of 16 of the Securities Exchange Act of 1934 and who renders bona fide services to the Company or a subsidiary of the Company otherwise than in connection with the offer or sale of securities in a capital-raising transaction;

e. "Option Period" means the period during which an option may be exercised;

f. "Plan" means this Stock Option Plan for Non-Employee Directors and Consultants, as amended from time to time; and

g. "Subsidiary" means any corporation in an unbroken chain of corporations beginning with the Company if, at the time of the granting of this option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in the chain, and "Subsidiaries" means more than one of any such corporations.

EXHIBIT 10(c)

BRINKER INTERNATIONAL, INC.
1992 INCENTIVE STOCK OPTION PLAN

Brinker International, Inc., a Delaware corporation (the "Company"), hereby adopts the following plan, as approved by the Company's stockholders:

1. PURPOSE. The purpose of the Plan is to provide employees with a proprietary interest in the Company through the granting of options which will

(a) increase the interest of the employees in the Company's welfare;

(b) furnish an incentive to the employees to continue their services for the Company; and

(c) provide a means through which the Company may attract able persons to enter its employ.

2. ADMINISTRATION. The Plan will be administered by the Committee.

3. PARTICIPANTS. The Committee shall, from time to time, select the particular employees of the Company and its Subsidiaries to whom options are to be granted, and who will, upon such grant, become participants in the Plan.

4. STOCK OWNERSHIP LIMITATION. No Incentive Option may be granted to an employee who owns more than 10% of the voting power of all classes of stock of the Company or its Parent or Subsidiaries. This limitation will not apply if the option price is at least 110% of the fair market value of the stock at the time the Incentive Option is granted and the Incentive Option is not exercisable more than five years from the date it is granted.

5. SHARES SUBJECT TO PLAN. The Committee may not grant options under the Plan for more than 7,875,000 shares of Common Stock of the Company, but this number may be adjusted to reflect, if deemed appropriate by the Committee, any stock dividend, stock split, share combination, recapitalization or the like, of or by the Company. Shares to be optioned and sold may be made available from either authorized but unissued Common Stock or Common Stock held by the Company in its treasury. Shares that by reason of the expiration of an option or otherwise are no longer subject to purchase pursuant to an option granted under the Plan may be re-offered under the Plan.

6. LIMITATION ON AMOUNT. The aggregate fair market value (determined at the time of grant) of the shares of Common Stock which any employee is first eligible to purchase in any calendar year by exercise of Incentive Options granted under this Plan and all incentive stock option plans (within the meaning of Section 422A of the Internal Revenue Code) of the Company or its Parent or Subsidiaries shall not exceed $100,000. For this purpose, the fair market value (determined at the respective date of grant of each option) of the stock purchasable by exercise of an Incentive Option (or an installment thereof) shall be counted against the $100,000 annual limitation for an employee only for the calendar year such stock is first purchasable under the terms of the option. The maximum number of shares with respect to which options may be granted pursuant to the Plan to any individual employee during any fiscal year of the Company may in no event exceed 500,000.

7. ALLOTMENT OF SHARES. The Committee shall determine the number of shares of Common Stock to be offered from time to time by grant of options to employees of the Company or its Subsidiaries. The grant of an option to an employee shall not be deemed either to entitle the employee to, or to disqualify the employee from, participation in any other grant of options under the Plan. No participant may receive in any calendar year in excess of twenty percent (20%) of the options granted in such calendar year.

8. GRANT OF OPTIONS. The Committee is authorized to grant Incentive Options and Nonqualified Options under the Plan

(additionally, the Board may grant nonqualified options outside of the Plan as determined in its discretion). The grant of options shall be evidenced by stock option agreements containing such terms and provisions as are approved by the Committee, but not inconsistent with the Plan, including provisions that may be necessary to assure that any option that is intended to be an Incentive Option will comply with Section 422A of the Internal Revenue Code. The Company shall execute stock option agreements upon instructions from the Committee.

9. OPTION PRICE. The option price for any option granted pursuant to this Plan shall not be less than one hundred percent (100%) of the fair market value per share of the Common Stock on the date the option is granted. The Committee shall determine the fair market value of the Common Stock on the date of grant, and shall set forth the determination in its minutes, using any reasonable valuation method.

10. OPTION PERIOD. The Option Period will begin on the date the option is granted, which will be the date the Committee authorizes the option unless the Committee specifies a later date. No option may terminate later than ten years from the date the option is granted. The Committee may provide for the exercise of options in installments and upon such terms, conditions and restrictions as it may determine. The Committee may provide for termination of the option in the case of termination of employment or any other reason.

11. RIGHTS IN EVENT OF DEATH OR DISABILITY. If a participant dies or becomes disabled (within the meaning of Section 22(e)(3) of the Internal Revenue Code) prior to termination of his right to exercise an option in accordance with the provisions of his stock option agreement without totally having exercised the option, the option may be exercised subject to the provisions of Paragraph 13 hereof, by (i) the participant's estate or by the person who acquired the right to exercise the option by bequest or inheritance, or (ii) by reason of death of the participant.

12. PAYMENT. Full payment for shares purchased upon exercising an option shall be made in cash or by check at the time of exercise, or on such other terms as are set forth in the applicable option agreement. No shares may be issued until full payment of the purchase price therefor has been made, and a participant will have none of the rights of a stockholder until shares are issued to him.

13. EXERCISE OF OPTION. Options granted under the Plan may be exercised during the Option Period, at such times, in such amounts, in accordance with such terms and subject to such restrictions and vesting requirements as are determined by the Committee and set forth in the applicable stock option descriptions. If the employment of an officer of the Company is terminated for reason other than for cause, such officer will be permitted to exercise stock options which were fully vested as of the date of termination in accordance with the following schedule, but in no event may such options be exercised later than ten (10) years from the date of the original grant of the stock option:

Level	Exercise Period
President and Executive Vice President	36 months from date of termination, with no more than one-third of the total number of stock options being exercisable during the first 12 months and no more than two-thirds of the total number of stock options being exercisable during the first 24 months
Senior Vice President	24 months from date of termination, with no more than one-third of the total number of stock options being exercisable during the first 8 months and no more than two-thirds of the total number of stock options being exercisable during the first 16 months

Vice President	12 months from date of termination, with no more than one-third of the total number of stock options being exercisable during the first 4 months and no more than two-thirds of the total number of stock options being exercisable during the first 8 months

In the event a key operations employee of the Company leaves the Company to join a franchisee of the Company, then the Chief Executive Officer of the Company, in his sole discretion, may extend the exercise period for stock options that are fully vested at the time of termination of employment with the Company from ninety (90) days to a time period not to exceed twenty-four (24) months (the "Extension"); provided, however, that if the employment of such key operations employee is subsequently terminated by such franchisee "for cause" (as defined below), such options shall immediately terminate and shall not be exercisable; provided further, however, that if the employment of such key operations employee with such franchisee is terminated for any reason other than "for cause", such employee shall have an additional period of time to exercise all stock options that were fully vested at the time of termination of employment with the Company (the "Additional Exercise Period") equal to the greater of (a) ninety (90) days or (b) one (1) day for each two (2) days that such employee worked with such franchisee. Notwithstanding the foregoing, the Additional Exercise Period shall automatically terminate at the end of the Extension, if any, granted by the Chief Executive Officer of the Company. For purposes hereof, "for cause" is intended to include, but not be limited to, willful and continued failure to perform duties, conviction of a felony, any crime involving moral turpitude under federal, state, or local laws, or any crime involving the Company, engagement in acts which might, beyond reasonable doubt, bring the Company into disrepute, contempt, scandal and ridicule, or conviction of fraud, misappropriation or embezzlement in the performance of duties for the Company.

14. CAPITAL ADJUSTMENTS AND REORGANIZATIONS. The number of shares of Common Stock covered by each outstanding option granted under the Plan and the option price may be adjusted to reflect, as deemed appropriate by the Committee, any stock dividend, stock split, share combination, exchange of shares, recapitalization, merger, consolidation, separation, reorganization, liquidation or the like, of or by the Company. Notwithstanding anything in this Plan to the contrary, all options granted pursuant to the Plan shall become fully vested and exercisable at the election of the Participant at any time prior to the expiration date of such option upon a material change in control of the Company. For purposes hereof, a "material change in control of the Company" shall be deemed to include, but not be limited to, the dissolution or liquidation of the Company, a merger of the Company into another corporation, partnership, trust or other business entity, (other than a merger into a subsidiary or parent of the Company, or a merger the primary purpose of which is reincorporation), the acquisition of the Company by another corporation, partnership, trust, or other business entity, the sale or conveyance of all or substantially all of the assets of the Company, or change in control of the majority of the voting securities of the Company, or any other event as determined by the Committee.

15. NON-ASSIGNABILITY. Options may not be transferred other than by will or by the laws of descent and distribution. During a participant's lifetime, options granted to a participant may be exercised only by the participant.

16. INTERPRETATION. The Committee shall interpret the Plan and shall prescribe such rules and regulations in connection with the operation of the Plan as it determines to be advisable for the administration of the Plan. The Committee may rescind and amend its rules and regulations.

17. AMENDMENT OR DISCONTINUANCE. The Plan may be amended or discontinued by the Committee without the approval of the stockholders of the Company, except that any amendment that would (a) materially increase the benefits accruing to participants under the Plan, (b) materially increase the number of securities

that may be issued under the Plan, or (c) materially modify the requirements of eligibility for participation in the Plan must be approved by the stockholders of the Company.

18. EFFECT OF PLAN. Neither the adoption of the Plan by the Board nor any action of the Committee shall be deemed to give any officer or employee any right to be granted an option to purchase Common Stock of the Company or any other rights except as may be evidenced by the stock option agreement, or any amendment thereto, duly authorized by the Committee and executed on behalf of the Company and then only to the extent and on the terms and conditions expressly set forth therein.

19. TERM. Unless sooner terminated by action of the Board, this Plan will terminate on September 7, 2002. The Committee may not grant options under the Plan after that date, but options granted before that date will continue to be effective in accordance with their terms.

20. DEFINITIONS. For the purpose of this Plan, unless the context requires otherwise, the following terms shall have the meanings indicated:

(a) "Board" means the board of directors of the Company.

(b) "Committee" means the Compensation Committee of the Board, composed of independent and disinterested members of the Board qualified to be members of the Committee pursuant to Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended.

(c) "Common Stock" means the Common Stock which the Company is currently authorized to issue or may in the future be authorized to issue.

(d) "Incentive Option" means an option granted under the Plan which meets the requirements of Section 422A of the Internal Revenue Code.

(e) "Nonqualified Option" means an option granted under the Plan which is not intended to be an Incentive Option.

(f) "Option Period" means the period during which an option may be exercised.

(g) "Parent" means any corporation in an unbroken chain of corporations ending with the Company if, at the time of granting of the option, each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

(h) "Plan" means this 1992 Incentive Stock Option Plan, as amended from time to time.

(i) "Subsidiary" means any corporation in an unbroken chain of corporations beginning with the Company if, at the time of the granting of the option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain, and "Subsidiaries" means more than one of any such corporations.

EXHIBIT 13

1997 ANNUAL REPORT TO SHAREHOLDERS

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

	Fiscal Years				
	1997	1996	1995	1994	1993
Income Statement Data:					
Revenues	$1,335,337	$1,162,951	$1,042,199	$ 886,040	$ 704,984
Costs and Expenses:					
Cost of Sales	374,525	330,375	283,417	241,950	195,967
Restaurant Expenses	720,769	620,441	540,986	451,029	358,949
Depreciation and Amortization	78,754	64,611	58,570	51,570	38,292
General and Administrative	64,404	54,271	50,362	45,659	37,328
Interest Expense	9,453	4,579	595	441	406
Gain on Sales of Concepts	-	(9,262)	-	-	-
Restructuring Charge	-	50,000	-	-	-
Merger Expenses	-	-	-	1,949	-
Injury Claim Settlement	-	-	-	2,248	-
Other, Net	(3,553)	(4,201)	(3,151)	(5,348)	(5,129)
Total Costs and Expenses	1,244,352	1,110,814	930,779	789,498	625,813
Income Before Provision for Income Taxes	90,985	52,137	111,420	96,542	79,171
Provision for Income Taxes	30,480	17,756	38,676	34,223	27,083
Net Income	$ 60,505	$ 34,381	$ 72,744	$ 62,319	$ 52,008
Primary Net Income Per Share	$ 0.81	$ 0.44	$ 0.98	$ 0.83	$ 0.71
Primary Weighted Average Shares Outstanding	74,800	77,902	74,283	74,947	73,286
Balance Sheet Data (end of period):					
Working Capital Deficit	$ (43,292)	$ (35,035)	$ (2,377)	$ (54,879)	$ (40,579)
Total Assets	996,943	888,834	738,936	558,435	455,070
Long-term Obligations	317,473	157,274	139,645	39,316	31,082
Shareholders' Equity	523,744	608,170	496,797	417,377	344,086
Number of Restaurants Open at End of Period:					
Company-Operated	556	468	439	369	308
Franchised/Joint Venture	154	145	121	89	75
Total	710	613	560	458	383

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

RESULTS OF OPERATIONS FOR FISCAL YEARS 1997, 1996, AND 1995

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		
	1997	1996	1995
Revenues	100.0%	100.0%	100.0%
Costs and Expenses:			
Cost of Sales	28.1%	28.4%	27.2%
Restaurant Expenses	54.0%	53.3%	51.9%
Depreciation and Amortization	5.9%	5.6%	5.6%
General and Administrative	4.8%	4.7%	4.8%
Interest Expense	0.7%	0.4%	0.1%
Gain on Sales of Concepts	-	(0.8%)	-

Restructuring Charge	-	4.3%	-
Other, Net	(0.3%)	(0.4%)	(0.3%)
Total Costs and Expenses	93.2%	95.5%	89.3%
Income Before Provision for Income Taxes	6.8%	4.5%	10.7%
Provision for Income Taxes	2.3%	1.5%	3.7%
Net Income	4.5%	3.0%	7.0%

REVENUES

Increases in revenues of 15% and 12% in fiscal 1997 and 1996, respectively, primarily relate to the increases in sales weeks driven by new unit expansion. Revenues for fiscal 1997 increased due to a 12.2% increase in sales weeks and a 2.3% increase in average weekly sales. Excluding concepts sold (Grady's American Grill, Spageddies Italian Kitchen, and Kona Ranch Steak House) during fiscal 1996, revenues for fiscal 1996 increased 20% due to a 19% increase in sales weeks and a 0.3% increase in average weekly sales. Menu price increases, which were almost 2% in fiscal 1997 and less than 1% in fiscal 1996, had little impact on the increases in revenues.

COSTS AND EXPENSES (as a percent of Revenues)

Cost of sales decreased in fiscal 1997 compared to fiscal 1996 due to menu price increases which offset unfavorable commodity price variances and product mix changes to menu items with higher percentage food costs. Cost of sales increased in fiscal 1996 compared to fiscal 1995 due to increased portion sizes on various Chili's menu items and product mix shifts toward higher percentage food cost menu items.

Restaurant expenses increased in fiscal 1997 and fiscal 1996 due primarily to increases in management and restaurant labor. Management labor increased in fiscal 1997 and fiscal 1996 as a result of increases in base salaries, initiated during fiscal 1996, to remain competitive in the industry. Restaurant labor costs were up for both fiscal 1997 and fiscal 1996 due to wage rate increases for non-minimum wage employees in order to meet industry competition and retain quality employees. In addition, hourly labor costs increased in fiscal 1997 due to Federal government mandated increases in the minimum wage and incremental training costs associated with the roll-out of new menu items and a new inventory management program. Partially offsetting the labor increases in fiscal 1997 were reduced insurance costs resulting from an aggressive safety program and claims management strategies put in place by the Company over the last two to three years.

Depreciation and amortization increased in fiscal 1997 after remaining flat in fiscal 1996. The fiscal 1997 increase was primarily due to new unit additions during the year and in fiscal 1996. In fiscal 1996 a decrease in per-unit depreciation and amortization due to a declining depreciable asset base for older units offset increases related to new unit construction costs and ongoing remodel costs.

General and administrative expenses have remained relatively flat in the past two fiscal years as a result of Brinker's focus on controlling corporate expenditures relative to increasing revenues and number of restaurants. However, total costs increased in fiscal 1997 due to additional staff and support as the Company continues the expansion of its restaurant concepts, the accrual of profit sharing, and non-recurring severance costs.

Interest expense, net of capitalized interest, increased in fiscal 1997 due to incremental borrowings on the Company's credit facilities primarily used to fund the Company's stock repurchase plan. Interest expense, net of amounts capitalized, increased in fiscal 1996 due to the issuance of $100 million of unsecured senior notes in late fiscal 1995.

RESTRUCTURING RELATED ITEMS

In October 1995, the Board of Directors of the Company approved a strategic plan targeted to support the Company's long-term growth

objectives. The plan focuses on continued development of those restaurant concepts that have the greatest return potential for the Company and its shareholders. In conjunction with this plan, the Company has or will dispose of or convert 30 to 40 Company-owned restaurants that have not met management's financial return expectations. The restructuring actions began during the second quarter of fiscal 1996 and were substantially completed in fiscal 1997. The Company recorded a $50 million restructuring charge during fiscal 1996 to cover costs related to the execution of this plan, primarily the write-down of property and equipment to net realizable value, costs to settle lease obligations, and the write-off of other assets. In conjunction with the strategic plan, the Company also completed the sales of the Grady's American Grill, Spageddies Italian Kitchen, and Kona Ranch Steak House concepts during the second quarter of fiscal 1996, recognizing a gain of approximately $9.3 million.

INCOME TAXES

The Company's effective income tax rate was 33.5%, 34.1%, and 34.7%, in fiscal 1997, 1996, and 1995, respectively. The decrease in fiscal 1997 is primarily a result of a decrease in the rate effect of state income taxes. The decrease in fiscal 1996 is primarily a result of an increase in the rate effect of Federal FICA tax credits for tipped wages.

NET INCOME AND NET INCOME PER SHARE

Operating results before restructuring related items (gain on sales of concepts and restructuring charge) are summarized as follows (in millions, except per share amounts):

	Fiscal Years		
	1997	1996	1995
Income Before Restructuring Related Items and Income Taxes	$ 91.0	$ 92.9	$111.4
Income Taxes Before Restructuring Related Items	30.5	32.0	38.7
Net Income Before Restructuring Related Items	$ 60.5	$ 60.9	$ 72.7
Primary Net Income Per Share Before Restructuring Related Items	$ 0.81	$ 0.78	$ 0.98

Fiscal 1997 net income and primary net income per share before restructuring related items decreased 0.6% and increased 3.8%, respectively. The decrease in net income before restructuring related items in light of the increase in revenues was due to the increases in costs and expenses mentioned above. Primary net income per share increased despite the decline in net income due to a reduction in the weighted average number of shares outstanding as a result of the stock repurchase plan. Fiscal 1996 net income and primary net income per share before restructuring related items declined 16.2% and 20.4%, respectively, compared to fiscal 1995. The decrease in net income before restructuring related items in light of the increase in revenues was due to the decline in average weekly sales associated with concepts sold during fiscal 1996 and the increase in costs and expenses mentioned above.

IMPACT OF INFLATION

Brinker has not experienced a significant overall impact from inflation. As operating expenses increase, Brinker, to the extent permitted by competition, recovers increased costs by increasing menu prices.

LIQUIDITY AND CAPITAL RESOURCES

The working capital deficit increased from $35.0 million at June 26, 1996 to $43.3 million at June 25, 1997, and net cash provided by operating activities increased to $138.3 million for fiscal 1997 from $114.9 million for fiscal 1996 due to the timing of operational receipts and payments.

Long-term debt outstanding at June 25, 1997 consisted of $185 million of borrowings on credit facilities, $100 million of unsecured senior notes, and obligations under capital leases. On April 1, 1997, the Company modified and amended its revolving line of credit. The facility was increased to $260 million in total commitments, and its maturity was extended until April 2002. No other significant changes or modifications were made to the terms or covenants. The Company now has credit facilities totaling $375 million. At June 25, 1997, the Company had $182 million in available funds from credit facilities.

Subsequent to June 25, 1997, Brinker entered into an equipment leasing facility totaling $55 million. Pursuant to the agreement, Brinker executed a $10.2 million sale and leaseback of existing equipment. The facility balance will be used to lease equipment in fiscal 1998. Additionally, the Company intends to repay a portion of the debt outstanding on its credit facilities with the proceeds from a sale and leaseback of certain real estate assets early in the second quarter of fiscal 1998.

Capital expenditures were $191.2 million for fiscal 1997. 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 the ongoing remodeling program. The Company estimates that its capital expenditures during fiscal 1998 will approximate $140 million. These capital expenditures will be funded from internal operations, cash equivalents, the liquidation of the marketable securities portfolio, build-to-suit lease agreements with landlords, and drawdowns on the Company's available lines of credit. The marketable securities portfolio is classified as a current asset as of June 25, 1997 based on the Company's intention to liquidate the portfolio to fund a portion of these capital expenditures.

During 1997, pursuant to a Board of Directors approved plan, the Company repurchased approximately $150 million (approximately 12.5 million shares) of the Company's common stock in accordance with applicable securities regulations. The repurchased common stock will be used by the Company to satisfy obligations under its savings plans, to meet the needs of its various stock option plans, and for other corporate purposes. The Company financed the repurchase program through a combination of cash provided by operations, partial liquidation of its marketable securities portfolio, 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, Brinker believes that there are sufficient funds available under the lines of credit and from strong internal cash generating capabilities to adequately manage the expansion of the business.

NEW ACCOUNTING PRONOUNCEMENTS

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 ("SFAS No. 128"), "Earnings Per Share." SFAS No. 128 requires disclosure of basic and diluted earnings per share. Basic earnings per share excludes dilution and 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. SFAS No. 128 is effective for financial statements issued for periods ending after December 15, 1997. All prior periods will be restated upon adoption. The pro forma earnings per share utilizing the requirements of SFAS No. 128 are as follows:

	Fiscal Years		
	1997	1996	1995
Basic earnings per share	$ 0.82	$ 0.45	$ 1.01
Diluted earnings per share	$ 0.81	$ 0.44	$ 0.98

MANAGEMENT OUTLOOK

In fiscal 1997, Brinker realigned its management structure to more directly support its various restaurant concepts. This realignment

included upgrading certain strategic functions and decentralizing certain functions that are more effectively performed at the concept level. In the last six months, Brinker has realized the benefits of the realignment with increased average weekly sales at its flagship Chili's. During fiscal 1998, Brinker's concept management teams will focus on (i) replicating Chili's revitalization at Macaroni Grill, (ii) expanding its other high growth concepts of Corner Bakery and On The Border, (iii) extending its success at Maggiano's Little Italy, and (iv) cultivating its research and development concepts of Eatzi's, Wildfire, and Big Bowl. With this strong line-up, Brinker expects to open over 100 new restaurants system-wide and to approach $2 billion in system-wide sales during fiscal 1998.

In fiscal 1997, Brinker experienced a difficult operating environment due to intensified competition and increasing labor costs. Management expects these conditions to continue in fiscal 1998. However, management believes its realignment, coupled with its focus on quality, value, and customer service, has strategically positioned Brinker to attain growth and profitability objectives while creating value for its shareholders.

FORWARD-LOOKING STATEMENTS

Certain statements contained herein are forward-looking regarding cash flow from operations, restaurant openings, operating margins, capital requirements, the availability of acceptable real estate locations for new restaurants, 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, and inflation.

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

	1997	1996
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 23,194	$ 27,073
Marketable Securities (Note 4)	24,469	-
Accounts Receivable	15,258	12,042
Inventories	13,031	10,839
Prepaid Expenses	30,364	24,648
Deferred Income Taxes (Note 6)	1,050	11,653
Other	5,068	2,100
Total Current Assets	112,434	88,355
Property and Equipment, at Cost (Note 8):		
Land	171,551	150,391
Buildings and Leasehold Improvements	533,579	430,037
Furniture and Equipment	294,985	240,880
Construction-in-Progress	42,977	31,923
	1,043,092	853,231
Less Accumulated Depreciation and Amortization	293,483	242,001
Net Property and Equipment	749,609	611,230
Other Assets:		
Marketable Securities (Note 4)	-	70,012
Goodwill, Net of Accumulated Amortization of $4,311 in 1997 and $2,168 in 1996 (Note 2)	78,291	73,250
Other	56,609	45,987
Total Other Assets	134,900	189,249
Total Assets	$ 996,943	$ 888,834

(continued)

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

LIABILITIES AND SHAREHOLDERS' EQUITY	1997	1996
Current Liabilities:		

Current Installments of Long-term Debt (Notes 7 and 8)	$ 280	$ 348
Accounts Payable	76,640	58,902
Accrued Liabilities (Note 5)	78,806	64,140
Total Current Liabilities	155,726	123,390
Long-term Debt, Less Current Installments (Notes 7 and 8)	287,521	117,801
Deferred Income Taxes (Note 6)	7,426	12,900
Other Liabilities	22,526	26,573
Commitments and Contingencies (Notes 8 and 12)		
Shareholders' Equity (Notes 2, 9, and 10):		
Preferred Stock - 1,000,000 Authorized Shares; $1.00 Par Value; No Shares Issued	-	-
Common Stock - 250,000,000 Authorized Shares; $.10 Par Value; 77,710,016 Shares Issued and 65,233,900 Shares Outstanding at June 25, 1997, and 77,255,783 Shares Issued and Outstanding at June 26, 1996	7,771	7,726
Additional Paid-In Capital	270,892	266,561
Unrealized Gain (Loss) on Marketable Securities (Note 4)	304	(620)
Retained Earnings	395,008	334,503
	673,975	608,170
Less Treasury Stock, at Cost (12,476,116 shares)	(150,231)	-
Total Shareholders' Equity	523,744	608,170
Total Liabilities and Shareholders' Equity	$ 996,943	$ 888,834

See accompanying notes to consolidated financial statements.

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

	Fiscal Years		
	1997	1996	1995
Revenues	$1,335,337	$1,162,951	$1,042,199
Costs and Expenses:			
Cost of Sales	374,525	330,375	283,417
Restaurant Expenses (Note 8)	720,769	620,441	540,986
Depreciation and Amortization	78,754	64,611	58,570
General and Administrative	64,404	54,271	50,362
Interest Expense (Note 7)	9,453	4,579	595
Gain on Sales of Concepts (Note 3)	-	(9,262)	-
Restructuring Charge (Note 3)	-	50,000	-
Other, Net (Note 4)	(3,553)	(4,201)	(3,151)
Total Costs and Expenses	1,244,352	1,110,814	930,779
Income Before Provision for Income Taxes	90,985	52,137	111,420
Provision for Income Taxes (Note 6)	30,480	17,756	38,676
Net Income	$ 60,505	$ 34,381	$ 72,744
Primary and Fully Diluted Net Income Per Share	$ 0.81	$ 0.44	$ 0.98
Primary Weighted Average Shares Outstanding	74,800	77,902	74,283
Fully Diluted Weighted Average Shares Outstanding	74,936	78,036	74,345

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	Unrealized Gain (Loss) on Marketable Securities	Retained Earnings	Treasury Stock	Total
Balances at June 29, 1994	71,405	$7,141	$ 183,299	$ (441)	$227,378	$ -	$417,377
Net Income	-	-	-	-	72,744	-	72,744
Change in Unrealized Gain (Loss) on Marketable Securities	-	-	-	(1,010)	-	-	(1,010)
Issuances of Common Stock	668	66	7,620	-	-	-	7,686
Balances at June 28, 1995	72,073	7,207	190,919	(1,451)	300,122	-	496,797
Net Income	-	-	-	-	34,381	-	34,381
Change in Unrealized Gain (Loss) on Marketable Securities	-	-	-	831	-	-	831
Issuances of Common Stock	5,183	519	75,642	-	-	-	76,161
Balances at June 26, 1996	77,256	7,726	266,561	(620)	334,503	-	608,170
Net Income	-	-	-	-	60,505	-	60,505
Change in Unrealized Gain (Loss) on Marketable Securities	-	-	-	924	-	-	924
Purchases of Treasury Stock	(12,486)	-	-	-	-	(150,350)	(150,350)
Issuances of Common Stock	464	45	4,331	-	-	119	4,495
Balances at June 25, 1997	65,234	$7,771	$ 270,892	$ 304	$395,008	$(150,231)	$523,744

See accompanying notes to consolidated financial statements.

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

	Fiscal Years 1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 60,505	$ 34,381	$ 72,744
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization of Property and Equipment	63,866	54,138	48,893
Amortization of Goodwill and Other Assets	14,888	10,473	9,677
Gain on Sales of Concepts (Note 3)	-	(9,262)	-
Restructuring Charge (Note 3)	-	50,000	-
Changes in Assets and Liabilities, Excluding Effects of Acquisitions and Dispositions:			
Receivables	(4,666)	4,783	(5,301)
Inventories	(1,944)	(1,236)	(2,099)
Prepaid Expenses	(5,632)	(3,920)	(4,884)
Other Assets	(22,541)	(21,883)	(13,627)
Accounts Payable	18,953	1,537	(4,140)
Accrued Liabilities	13,985	(1,596)	4,617
Deferred Income Taxes	4,657	(8,313)	2,392
Other Liabilities	(4,224)	3,607	1,493
Other	496	2,220	415

Net Cash Provided by Operating Activities	138,343	114,929	110,180
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for Property and Equipment	(191,194)	(187,141)	(183,913)
Payment for Purchase of Restaurants, Net (Note 2)	(15,863)	-	-
Proceeds from Sales of Concepts (Note 3)	-	73,115	-
Purchases of Marketable Securities	(38,543)	(61,390)	(15,988)
Proceeds from Sales of Marketable Securities	80,796	25,137	23,458
Other	-	375	1,988
Net Cash Used in Investing Activities	(164,804)	(149,904)	(174,455)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings from Credit Facilities	170,000	15,000	-
Payments of Long-term Debt	(348)	(1,530)	(1,426)
Proceeds from Issuance of Long-term Debt	-	-	100,000
Proceeds from Issuances of Common Stock	3,280	3,667	6,869
Purchases of Treasury Stock	(150,350)	-	-
Net Cash Provided by Financing Activities	22,582	17,137	105,443
Net Increase (Decrease) in Cash and Cash Equivalents	(3,879)	(17,838)	41,168
Cash and Cash Equivalents at Beginning of Year	27,073	44,911	3,743
Cash and Cash Equivalents at End of Year	$ 23,194	$ 27,073	$ 44,911
CASH PAID DURING THE YEAR:			
Interest, Net of Amounts Capitalized	$ 7,459	$ 4,188	$ -
Income Taxes	$ 26,240	$ 24,558	$ 47,838
NON-CASH TRANSACTIONS DURING THE YEAR:			
Tax Benefit from Stock Options Exercised	$ 1,215	$ 729	$ 817
Common Stock Issued in Connection with Acquisitions	$ -	$ 71,765	$ -
Notes Received in Connection with Sales of Concepts	$ -	$ 9,800	$ -

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.
Notes to Consolidated Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The consolidated financial statements include the accounts of Brinker International, Inc. and its wholly-owned subsidiaries ("Brinker"). All significant intercompany accounts and transactions have been eliminated in consolidation. Brinker owns and operates, or franchises, various restaurant concepts principally located in the United States.

Brinker has a 52/53 week fiscal year ending on the last Wednesday in June. The fiscal years 1997, 1996, and 1995, which ended on June 25, 1997, June 26, 1996, and June 28, 1995, respectively, all contained 52 weeks.

Certain prior year amounts in the accompanying consolidated financial statements have been reclassified to conform with the current year presentation.

(b) Financial Instruments

Brinker's policy is to invest cash in excess of operating requirements in income-producing investments. Cash invested in instruments with maturities of three months or less at the time of investment is reflected as cash equivalents. Cash equivalents of $7.4 million and $18.6 million at June 25, 1997 and June 26, 1996, respectively, consist primarily of money market funds and commercial paper.

Brinker's financial instruments at June 25, 1997 and June 26, 1996 consist of cash equivalents, marketable securities, short-term debt, 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 short-term debt approximate their carrying amounts due to the short duration of those items; marketable securities are based on quoted market prices; and long-term debt is based on the amount of future cash flows discounted using

Brinker's expected borrowing rate for debt of comparable risk and maturity.

(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 $4.5 million, $4.4 million, and $2.3 million during fiscal 1997, 1996, and 1995, respectively.

(f) Preopening Costs

Capitalized preopening costs include the direct and incremental costs typically associated with the opening of a new restaurant which primarily consist of costs incurred to develop new restaurant management teams, travel and lodging for both the training and opening unit management teams, and the food, beverage, and supplies costs incurred to perform role play testing of all equipment, concept systems, and recipes. Preopening costs are included in other assets and amortized over a period of 12 months.

(g) Goodwill

Goodwill is being amortized on a straight-line basis over 30 to 40 years. Brinker assesses the recoverability of goodwill by determining whether the asset balance can be recovered over its remaining life through undiscounted future operating cash flows of the acquired operation. The amount of impairment, if any, is measured based on projected discounted future operating cash flows. Management believes that no impairment of goodwill has occurred and that no reduction of the related estimated useful life is warranted.

(h) Recoverability of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards No. 121 ("SFAS No. 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," Brinker evaluates long-lived assets and certain identifiable intangibles to be 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 such asset and the expected proceeds upon sale of the asset less its carrying amount. The adoption of SFAS No. 121 in fiscal 1997 did not have a material effect on Brinker's financial statements.

(i) 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.

(j) Treasury Stock

During 1997, pursuant to a Board of Directors approved plan, Brinker repurchased approximately $150 million of Brinker's common stock in accordance with applicable securities regulations. The repurchased common stock will be used by Brinker to satisfy obligations under its savings plans, to meet the needs of its various stock option plans, and for other corporate purposes. The repurchased common stock is reflected as a reduction to shareholders' equity.

(k) Derivative Instruments

Brinker's policy prohibits the use of derivative instruments for trading purposes and Brinker has procedures in place to monitor and control their use. Brinker's use of derivative instruments is primarily limited to interest rate swaps and forwards which are entered into with the intent of managing overall borrowing costs.

Brinker has entered into interest rate forwards to effectively fix the interest rate of its rental payments in anticipation of a sale and leaseback of certain real estate assets. The notional amount of the forwards fixes approximately 95% of the principal associated with the sale and leaseback at an underlying treasury rate of approximately 6.7%. Accordingly, any market risk or opportunity associated with the fowards is offset by the market impact on the related rental payments. These forwards will settle at maturity which is intended to be at or near the time of the closing of the sale and leaseback transaction. Brinker's credit risk related to interest rate forwards is considered minimal due to strong creditworthy counterparties, settlement on a net basis, and short durations.

(l) Stock-Based Compensation

In accordance with Accounting Principles Board No. 25, Brinker uses the intrinsic value-based method for measuring stock-based compensation cost which measures compensation cost as the excess, if any, of the quoted market price of Brinker common stock at the grant date over the amount the employee must pay for the stock. Brinker's policy is to grant stock options at fair value at the date of grant. Proceeds from the exercise of common stock options issued to officers, directors, and key employees under Brinker'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 No. 123 ("SFAS No. 123"), "Accounting for Stock-Based Compensation," are presented in Note 9.

(m) Net Income Per Share

Both primary and fully diluted net income per share are based on the weighted average number of shares outstanding during the fiscal year increased by common equivalent shares (stock options) determined using the treasury stock method. Primary weighted average equivalent shares are determined based on the average market price exceeding the exercise price of the stock options. Fully diluted weighted average equivalent shares are determined based on the higher of the average or ending market price exceeding the exercise price of the stock options.

(n) 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. ACQUISITIONS

During the three years ended June 25, 1997, Brinker completed the acquisitions set forth below. For acquisitions accounted for as purchases, the excess of cost over the fair values of the net assets acquired was recorded as goodwill and the operations of the related restaurants are included in Brinker's consolidated results of operations from the dates of acquisition. For acquisitions accounted for as poolings of interests, Brinker's consolidated financial statements have been restated to include the accounts and operations of the restaurants for all periods presented. The operations of the restaurants acquired are not material.

On October 1, 1996, Brinker acquired 13 Chili's restaurants from a franchisee for approximately $16.2 million in cash. The acquisition was accounted for as a purchase. Goodwill of approximately $7.3 million is being amortized on a straight-line basis over 30 years.

On July 19, 1995, Brinker acquired the remaining 50% interest in its Cozymel's restaurant concept in exchange for 430,769 shares of Brinker common stock representing a cost of approximately $7.6 million. On August 29, 1995, Brinker acquired the Maggiano's Little Italy and Corner Bakery

concepts in exchange for 4,000,000 shares of Brinker common stock representing a cost of approximately $57.9 million. These acquisitions were accounted for as purchases. Goodwill of approximately $7.6 million and $57.5 million, respectively, is being amortized on a straight-line basis over 40 years.

In fiscal 1995, Brinker acquired four Chili's restaurants from franchisees in exchange for 505,930 shares of Brinker common stock. The acquisition of one of the restaurants was accounted for as a purchase while the acquisition of the remaining three restaurants was accounted for as a pooling of interests.

3. RESTRUCTURING RELATED ITEMS

Brinker recorded a $50 million restructuring charge during the second quarter of fiscal 1996 related to the adoption of a strategic plan which includes the disposition or conversion of 30 to 40 Company-owned restaurants that have not met management's financial return expectations. The charge resulted in a reduction in net income of approximately $32.5 million ($0.42 per share) and primarily relates to the write-down of property and equipment to net realizable value, costs to settle lease obligations, and the write-off of other assets. Through fiscal 1997, $46.0 million of restructuring costs have been incurred, of which $4.5 million were cash payments primarily for lease obligations and $41.5 million were non-cash charges primarily for asset write-downs. The restructuring actions were substantially completed in fiscal 1997. The results of operations from restaurants that have been or will be disposed are not material.

In addition, Brinker completed the sales of the Grady's American Grill, Spageddies Italian Kitchen, and Kona Ranch Steak House concepts during the second quarter of fiscal 1996, recognizing a gain of approximately $9.3 million.

4. MARKETABLE SECURITIES

At June 25, 1997 and June 26, 1996, marketable securities (primarily investment-grade preferred stock) are classified as available-for-sale. The cost and fair value of marketable securities at June 25, 1997 and June 26, 1996 are as follows (in thousands):

	1997	1996
Cost	$ 24,012	$ 70,951
Gross unrealized holding gains	483	297
Gross unrealized holding losses	(26)	(1,236)
Fair value	$ 24,469	$ 70,012

At June 26, 1996 the marketable securities portfolio was classified as a long-term asset. The marketable securities portfolio is classified as a current asset as of June 25, 1997 based on Brinker's intention to liquidate the portfolio to fund a portion of its capital expenditures in fiscal 1998.

Realized gains and realized losses are determined on a specific identification basis. Realized gains and realized losses from investment transactions were $313,000 and $646,000 during fiscal 1997, $38,000 and $949,000 during fiscal 1996, and $187,000 and $1,478,000 during fiscal 1995. Interest and dividend income during fiscal 1997, 1996, and 1995 was $5,016,000, $5,082,000, and $3,368,000, respectively. Realized gains and realized losses as well as interest and dividend income are included in other, net in the consolidated statements of income.

5. ACCRUED LIABILITIES

Accrued liabilities consist of the following (in thousands):

	1997	1996
Payroll	$ 26,798	$ 18,505
Insurance	15,668	15,141
Property tax	8,944	8,224
Sales tax	7,514	5,724
Restructuring reserve	4,005	5,881
Other	15,877	10,665
	$ 78,806	$ 64,140

6. INCOME TAXES

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

	1997	1996	1995
Current income tax expense:			

Federal	$ 22,471	$ 22,222	$ 31,133
State	3,352	3,847	5,151
Total current income tax expense	25,823	26,069	36,284
Deferred income tax expense (benefit):			
Federal	4,113	(7,343)	2,113
State	544	(970)	279
Total deferred income tax expense (benefit)	4,657	(8,313)	2,392
	$ 30,480	$ 17,756	$ 38,676

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

	1997	1996	1995
Income tax expense at statutory rate	$ 31,845	$ 18,248	$ 38,997
FICA tax credit	(2,925)	(2,382)	(2,600)
Targeted jobs tax credit	-	(261)	(1,837)
Net investment activities	(688)	(405)	(576)
State income taxes, net of Federal benefit	1,872	1,657	3,451
Other	376	899	1,241
	$ 30,480	$ 17,756	$ 38,676

The income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities as of June 25, 1997 and June 26, 1996 are as follows (in thousands):

	1997	1996
Deferred income tax assets:		
Insurance reserves	$ 8,034	$ 10,916
Restructuring reserve	1,517	7,986
Leasing transactions	2,099	2,278
Other, net	9,723	4,899
Total deferred income tax assets	21,373	26,079
Deferred income tax liabilities:		
Depreciation and capitalized interest on property and equipment	12,467	12,972
Preopening costs	10,466	9,022
Prepaid expenses	379	335
Other, net	4,437	4,997
Total deferred income tax liabilities	27,749	27,326
Net deferred income tax liability	$ 6,376	$ 1,247

7. DEBT

Brinker has credit facilities aggregating $375 million at June 25, 1997. A credit facility of $260 million bears interest at LIBOR (5.69% at June 25, 1997) plus a maximum of .50% and expires in fiscal 2002. At June 25, 1997, $185 million was outstanding under this facility. The remaining credit facilities bear interest based upon the lower of the banks' "Base" or prime rate plus 1%, certificates of deposit rate, or Eurodollar rate, and expire during fiscal years 1998 and 2000. Unused credit facilities available to Brinker were approximately $182 million at June 25, 1997. Obligations under Brinker's credit facilities, which require short-term repayments, have been classified as long-term debt, reflecting Brinker's intent and ability to refinance these borrowings through the existing credit facilities.

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

	1997	1996
7.8% senior notes	$ 100,000	$ 100,000
Credit Facilities	185,000	15,000
Capital lease obligations (see Note 8)	2,801	3,149
	287,801	118,149
Less current installments	280	348
	$ 287,521	$ 117,801

The $100 million of unsecured senior notes bear interest at an annual rate of 7.8%. Interest is payable semi-annually and Brinker is required to pay 14.3% (or $14.3 million) of the original principal balance annually beginning in fiscal 1999 through fiscal 2004 with the remaining unpaid balance due in fiscal 2005.

8. LEASES

(a) Capital Leases

Brinker leases certain buildings under capital leases. The asset values

of $6.9 million at June 25, 1997 and June 26, 1996, and the related accumulated amortization of $5.7 million and $5.5 million at June 25, 1997 and June 26, 1996, respectively, are included in property and equipment.

(b) Operating Leases

Brinker leases restaurant facilities and certain equipment under operating leases having terms expiring at various dates through fiscal 2022. The restaurant leases have renewal clauses of 5 to 30 years at the option of Brinker and have provisions for contingent rent based upon a percentage of gross sales, as defined in the leases. Rent expense for fiscal 1997, 1996, and 1995 was $41.0 million, $37.9 million, and $36.2 million, respectively. Contingent rent included in rent expense for fiscal 1997, 1996, and 1995 was $3.1 million, $3.2 million, and $2.9 million, respectively.

In July 1993, Brinker entered into operating lease agreements with unaffiliated groups to lease certain restaurant sites. During fiscal 1995 and 1994, Brinker utilized the entire commitment of approximately $30 million for the development of restaurants leased by Brinker. During fiscal 1996, Brinker retired several properties in the commitment which thereby reduced the outstanding balance. At the expiration of the lease term, Brinker 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 $21.5 million. Based on the analysis of the operations of these properties, Brinker believes the properties support the guaranteed residual value.

Subsequent to June 25, 1997, Brinker entered into an equipment leasing facility totaling $55 million. Pursuant to the agreement, Brinker executed a $10.2 million sale and leaseback of existing equipment. The facility balance will be used to lease equipment in fiscal 1998.

(c) Commitments

At June 25, 1997, future minimum lease payments on capital and operating leases were as follows (in thousands):

Fiscal Year	Capital Leases	Operating Leases
1998	$ 657	$ 37,671
1999	657	36,287
2000	613	35,423
2001	565	34,309
2002	560	33,876
Thereafter	1,144	198,880
Total minimum lease payments	4,196	$376,446
Imputed interest (average rate of 11.5%)	1,395	
Present value of minimum payments	2,801	
Less current installments	280	
Capital lease obligations	$2,521	

At June 25, 1997, Brinker had entered into other lease agreements for restaurant facilities currently under construction or yet to be constructed. In addition to a 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.

9. STOCK OPTION PLANS

(a) 1983 and 1992 Employee Incentive Stock Option Plans

In accordance with the Incentive Stock Option Plans adopted in October 1983 and November 1992, options to purchase approximately 20.8 million shares of Brinker's common stock may be granted to officers, directors, and key employees. Options are granted at market value 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 subsequent to fiscal 1993. Options granted prior to the expiration of this Plan remain exercisable through April 2003.

Transactions during fiscal 1997, 1996, and 1995 were as follows (in thousands, except option prices):

	Number of Company Options			Weighted Average Share Exercise Price		
	1997	1996	1995	1997	1996	1995
Options outstanding at beginning of year	9,049	7,570	6,897	$14.52	$14.79	$14.07
Granted	1,842	2,287	1,290	11.79	12.96	16.50
Exercised	(383)	(425)	(500)	6.83	8.61	8.49
Canceled	(1,050)	(383)	(117)	16.03	17.47	17.72
Options outstanding at end of year	9,458	9,049	7,570	$14.13	$14.52	$14.79
Options exercisable at end of year	4,735	4,298	4,044	$14.61	$12.85	$11.16

	Options Outstanding			Options Exercisable	
Range of exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
$ 2.45-$6.12	781	2.03	$4.81	781	$4.81
$10.89-$14.56	4,974	7.49	12.15	1,658	12.65
$15.25-$19.33	2,512	6.82	17.70	1,645	18.51
$20.38-$26.83	1,191	6.97	20.99	651	21.49
	9,458	6.80	$14.13	4,735	$14.61

(b) 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 Brinker's common stock were authorized for grant. Options were granted at market value on the date of grant, are exercisable beginning one year from the date of grant, with various vesting periods, 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. Options granted prior to the termination of this plan remain exercisable through June 1999.

Transactions during fiscal 1997, 1996, and 1995 were as follows (in thousands, except option prices):

	Number of Company Options			Weighted Average Share Exercise Price		
	1997	1996	1995	1997	1996	1995
Options outstanding at beginning of year	544	548	549	$ 3.66	$ 3.63	$ 3.62
Exercised	(61)	(4)	(1)	2.95	0.35	0.35
Canceled	(8)	-	-	2.45	-	-
Options outstanding and exercisable at end of year	475	544	548	$ 3.77	$ 3.66	$ 3.63

At June 25, 1997, the range of exercise prices for options outstanding was $2.45 to $5.30 with a weighted average remaining contractual life of 1.13 years.

(c) 1991 Non-Employee Stock Option Plan

In accordance with the Stock Option Plan for Non-Employee Directors and Consultants adopted in May 1991, options to purchase 337,500 shares of Brinker's common stock were authorized for grant. Options are granted at market value 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 1997, 1996, and 1995 were as follows (in thousands, except option prices):

	Number of	Weighted Average Share

	Company Options			Exercise Price		
	1997	1996	1995	1997	1996	1995
Options outstanding at beginning of year	202	204	122	$16.21	$16.07	$13.88
Granted	3	3	82	16.88	17.50	19.26
Canceled	(4)	(5)	-	23.61	11.22	-
Options outstanding at end of year	201	202	204	$16.10	$16.21	$16.07
Options exercisable at end of year	155	106	89	$15.25	$13.16	$11.74

At June 25, 1997, the range of exercise prices for options outstanding was $11.22 to $23.92 with a weighted average remaining contractual life of 5.85 years.

(d) On The Border 1989 Stock Option Plan

In accordance with the Stock Option Plan for On The Border employees and consultants, 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 Brinker stock options and expire ten years from the date of original grant.

Transactions during fiscal 1997, 1996, and 1995 were as follows (in thousands, except option prices):

	Number of Company Options			Weighted Average Share Exercise Price		
	1997	1996	1995	1997	1996	1995
Options outstanding at beginning of year	63	109	114	$19.03	$18.83	$18.83
Exercised	(5)	(17)	-	17.99	18.54	-
Canceled	(22)	(29)	(5)	18.68	18.58	18.78
Options outstanding and exercisable at end of year	36	63	109	$19.38	$19.03	$18.83

At June 25, 1997, the range of exercise prices for options outstanding was $18.24 to $19.76 with a weighted average remaining contractual life of 5.76 years.

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

	1997	1996
Net income - as reported	$ 60,505	$ 34,381
Net income - pro forma	$ 56,943	$ 32,857
Net income per share - as reported	$ 0.81	$ 0.44
Net income per share - pro forma	$ 0.76	$ 0.42

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

	1997	1996
Expected volatility	39.7%	36.0%
Risk-free interest rate	6.2%	5.7%
Expected lives	5 years	5 years
Dividend yield	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 and the vesting requirements of Brinker's stock option plans.

10. STOCKHOLDER PROTECTION RIGHTS PLAN

On January 30, 1996, the Board of Directors of Brinker adopted a Stockholder Protection Rights Plan (the "Plan") and declared a dividend of one right on each outstanding share of common stock, payable on February 9, 1996. 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 Brinker 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.

11. SAVINGS PLANS

Brinker sponsors a qualified defined contribution retirement plan ("Plan I") covering salaried employees who have completed one year or 1,000 hours of service. Plan I allows eligible employees to defer receipt of up to 20% of their compensation and contribute such amounts to various investment funds. Brinker matches with Brinker common stock 25% of the first 5% an employee contributes. Employee contributions vest immediately while Brinker contributions vest 25% annually beginning in the participants' second year of eligibility since plan inception. In fiscal 1997, 1996, and 1995, Brinker contributed approximately $432,000 (representing 30,438 shares of Brinker common stock), $362,000 (representing 23,582 shares of Brinker common stock), and $355,000 (representing 18,745 shares of Brinker common stock), respectively.

Brinker 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. Brinker matches with Brinker 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 Brinker contributions vest 25% annually beginning in the participants' second year of employment since plan inception. In fiscal 1997, 1996, and 1995, Brinker contributed approximately $215,000 (of which approximately $138,000 was used to purchase 9,347 shares of Brinker common stock), $260,000 (of which approximately $165,000 was used to purchase 10,584 shares of Brinker common stock), and $259,000 (of which approximately $154,000 was used to purchase 8,175 shares of Brinker common stock), respectively. At the inception of Plan II, Brinker elected to establish 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.

12. CONTINGENCIES

Brinker 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 Brinker, 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 on Brinker's consolidated financial condition or results of operations.

13. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following table summarizes the unaudited consolidated quarterly results of operations for fiscal 1997 and 1996 (in thousands, except per share amounts):

	Fiscal Year 1997 Quarters Ended			
	Sept. 25	Dec. 25	March 26	June 25
Revenues	$308,665	$310,925	$345,510	$370,237
Income Before Provision for Income Taxes	24,631	17,511	20,048	28,795
Net Income	16,380	11,644	13,332	19,149
Primary Net Income Per Share	0.21	0.15	0.18	0.29
Primary Weighted Average Shares Outstanding	79,051	79,636	75,704	66,834

	Fiscal Year 1996 Quarters Ended			
	Sept. 27	Dec. 27	March 27	June 26
Revenues	$289,460	$289,656	$284,206	$299,629
Income (Loss) Before Provision for Income Taxes	23,967	(20,850)	21,013	28,007

Net Income (Loss)	15,579	(13,553)	13,869	18,486
Primary Net Income (Loss) Per Share	0.21	(0.18)	0.18	0.23
Primary Weighted Average Shares Outstanding	75,721	76,626	78,389	79,295

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 25, 1997 and June 26, 1996, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 25, 1997. 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 generally accepted auditing standards. 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 25, 1997 and June 26, 1996, and the results of their operations and their cash flows for each of the years in the three-year period ended June 25, 1997 in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

Dallas, Texas
August 1, 1997

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 Cafe, Cozymel's Coastal Mexican Grill, Maggiano's Little Italy, Corner Bakery, and a market store and bakery under the name Eatzi's Market and Bakery.

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 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 MISSOURI, INC., a Delaware corporation
BRINKER MISSISSIPPI, INC., a Delaware 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 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
BRINKER OF BETHESDA, 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
EATZI'S CORPORATION, a Delaware corporation
EATZI'S INVESTMENT COMPANY, a Delaware corporation
EATZI'S TEXAS HOLDING CORPORATION, a Delaware corporation
EATZI'S TEXAS, L.P., a Texas limited partnership
EATZI'S BEVERAGE COMPANY, a Texas corporation

Exhibit 23

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Brinker International, Inc.:

We consent to incorporation by reference in the Registration Statement Nos. 33-61594, 33-56491, and 333-02201 on Form S-8 and Nos. 33-53965, 33-55181, 33-63551, 333-00169, and 333-07481 on Form S-3, of Brinker International, Inc. of our report dated August 1, 1997, relating to the consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 25, 1997 and June 26, 1996 and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 25, 1997, which report is incorporated by reference in the June 25, 1997 annual report on Form 10-K of Brinker International, Inc.

/KPMG Peat Marwick LLP

KPMG Peat Marwick LLP

Dallas, Texas
September 23, 1997

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This schedule contains summary financial information extracted from the
Company's Fiscal 1997 consolidated financial statements and is qualified in its
entirety by reference to such consolidated financial statements.

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12-MOS
JUN-25-1997
JUN-26-1996
JUN-25-1997
23,194
24,469
20,472
146
13,031
112,434
1,043,092
293,483
996,943
155,726
287,521
0
0
7,771
515,973
996,943
1,320,881
1,335,337
374,525
1,173,735
0
313
9,453
90,985
30,480
60,505
0
0
0
60,505
0.81
0.81

EXHIBIT 99

PROXY STATEMENT OF REGISTRANT
DATED SEPTEMBER 23, 1997

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information as to the number of shares of Common Stock of the Company beneficially owned by the principal shareholders of the Company.

Name and Address	Beneficial Ownership: Number of Shares (1)	Percent
The Capital Group Companies, Inc. 333 South Hope Street Los Angeles, California 90071	11,281,700	17.26%

(1) As of June 30, 1997. Based on information contained in Schedule 13G dated as of February 12, 1997, as supplemented via telephone communication.

SECURITY OWNERSHIP OF MANAGEMENT AND ELECTION OF DIRECTORS

Eleven (11) directors are to be elected at the meeting. Each nominee will be elected to hold office until the next annual meeting of the shareholders or until his or her successor is elected and qualified. 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 or her 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 as of September 8, 1997 (1)(2)	Number Attributable to Options Exercisable Within 60 Days of September 8, 1997	Percent of Class
Norman E. Brinker	2,109,009 (3)	1,058,750	3.23%
Douglas H. Brooks	470,350	453,028	*
F. Lane Cardwell, Jr.	266,022	246,000	*
Gerard V. Centioli	334,462 (4)	30,000	*
Ronald A. McDougall	840,022	815,000	1.29%*
Debra L. Smithart	237,910 (5)	203,841	*
Roger F. Thomson	146,000	142,500	*
Daniel W. Cook, III	-0-	-0-	*
Rae F. Evans	22,127 (6)	20,542	*
J.M. Haggar, Jr.	84,354	22,584	*
Frederick S. Humphries	10,317	9,667	*
Ronald Kirk	-0-	-0-	*
Jeffrey A. Marcus	-0-	-0-	*
James E. Oesterreicher	11,500	11,000	*

Roger T. Staubach	23,500	13,000	*
All executive officers and directors as a group (20 persons)	4,932,671	3,380,944	7.55%

* Less than one percent (1%)

(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 exercisable options granted or vesting under the Company's 1983 Incentive Stock Option Plan, the 1984 Non-Qualified Stock Option Plan, the 1992 Incentive Stock Option Plan and the 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.

(4) Includes 2,000 shares of Common Stock held of record by a family trust of which Mr. Centioli is trustee.

(5) Effective September 1, 1997, Ms. Smithart resigned from the Board of Directors and from her position as Executive Vice President and Chief Financial Officer of the Company.

(6) Includes 1,875 shares of Common Stock held of record by a family trust of which Mrs. Evans 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 required 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 minimum 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. Except for Daniel W. Cook, III, all nominees are currently serving as directors of the Company. Each of the current directors were elected at the last annual meeting of the Company's shareholders held on November 7, 1996, except Ronald Kirk and Jeffrey A. Marcus, both of whom were appointed to the Board of Directors in January 1997.

Norman E. Brinker, 66, served as Chairman of the Board of Directors and Chief Executive Officer of the Company from September 1983 to June 1995, with the exception of a brief period during which Mr. Brinker was incapacitated due to an injury. Mr. Brinker continues to serve as Chairman of the Board of Directors. Mr. Brinker is a member of the Nominating Committee of the Company. He was the founder of S&A Restaurant Corp., having served as its President from February 1966 through May 1977 and as its Chairman of the Board of Directors and Chief Executive Officer from May 1977 through July 1983. From June 1982 through July 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.

Ronald A. McDougall, 55, was elected President and Chief Executive Officer of the Company in June 1995 having formerly held the office of President and Chief Operating Officer since 1986. 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 September 1983 and is a member of the Executive and Nominating Committees of the Company. Mr. McDougall serves on the Board of Directors of Excel Communications, Inc.

Gerard V. Centioli, 43, was elected Senior Vice President - Emerging Concepts President in April 1997. Mr. Centioli joined the Company as Senior Vice President - Maggiano's/Corner Bakery Concepts President in August 1995 and was named Senior Vice President - Italian Concepts President in January 1996. Mr. Centioli previously served as Senior Partner of Lettuce Entertain You Enterprises, Inc. and President and Chief Executive Officer of the Maggiano's Little Italy and The Corner Bakery Divisions. Prior to joining Lettuce Entertain You Enterprises, Inc. in 1984, Mr. Centioli served as Vice President - Division President of Collins Foods International, Inc. Mr. Centioli has served as a member of the Board of Directors of the Company since November 1995.

Daniel W. Cook, III, 62, is a limited partner with The Goldman Sachs Group, L.P. Mr. Cook started with The Goldman Sachs Group, L.P. in 1961 and was a partner when he retired in 1992. Mr. Cook also serves on the Board of Directors for Centex Corporation. 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.

Rae F. Evans, 49, is currently President of Rae Evans & Associates, a firm specializing in Washington corporate strategies. From 1982 until January 1995, Mrs. Evans held the title of Vice President, National Affairs of Hallmark Cards, Inc. Mrs. Evans is a member of the Nominating and Audit Committees of the Company and has served as a member of the Board of Directors since January 1990. She is a member of the Business Government Relations Council and is a past president of that organization. She is a member of The Board of Directors of the National Women's Museum, the Meridian International House and a member of the Economic Club of Washington. Mrs. Evans is also a member of the Catalyst Board of Advisors and the National Women's Economic Alliance. Mrs. Evans also serves on the Board of Directors of Haggar Clothing Company.

J. M. Haggar, Jr., 72, is currently the owner of J.M. Haggar, Jr. Investments, a business he has operated since retiring as Chairman of the Board of Directors of Haggar Clothing Company in February 1995. Mr. Haggar previously held the positions of President and Chief Executive Officer of Haggar Clothing Company until 1991. Mr. Haggar is a member of the Compensation and Audit Committees of the Company and has served as a member of the Company's Board of Directors since April 1985.

Frederick S. Humphries, 61, 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 Chairman of the State Board of Education Advisory Committee on the Education of Blacks in Florida and Chairman of the Board of Regents, Five-Year Working Group for Agriculture, State University System of Florida, in addition to being involved in various civic and community activities. Mr. 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 Wal-Mart, Inc.

Ronald Kirk, 43, is currently Mayor of the City of Dallas and a partner in the law firm of Gardere & Wynne. 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 was appointed to the Board of Directors in January 1997 and is a member of the Nominating Committee of the Company.

Jeffrey A. Marcus, 50, is currently Chairman, President and Chief Executive Officer of Marcus Cable, with headquarters in Dallas. He formed the company in 1990 after spending more than 20 years in the cable television industry, a career Mr. Marcus embarked upon while a student at the University of California at Berkeley. Mr. Marcus is one of the owners of the Texas Rangers Baseball Club and is active in several civic and charitable organizations. Mr. Marcus was appointed to the Board of Directors in January 1997 and is a member of the Executive Committee of the Company.

James E. Oesterreicher, 56, is the Chairman of the Board and Chief Executive Officer of J.C. Penney Company, Inc., having been elected to the position of Chairman in January 1997 and to the position of Chief Executive Officer in January 1995. Mr. Oesterreicher served as Vice Chairman of the Board from 1995 to 1997, 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 Texas Utilities Company, Presbyterian Healthcare Systems, National Retail Federation, Circle Ten Council--Boy Scouts of America, National 4-H Council, National Organization on Disability and March of Dimes Birth Defects Foundation. He also serves as a member of the Policy Committee of the Business Roundtable. Mr. Oesterreicher has served as a member of the Board of Directors of the Company since May 1994 and is a member of the Compensation and Nominating Committees of the Company.

Roger T. Staubach, 55, 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. He has served as a member of the Board of Directors of the Company since May 1993 and is a member of the Executive and Compensation Committees of the Company. 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 Halliburton Company, American AAdvantage Funds and Columbus Realty Trust and is active in numerous civic, charity and professional organizations.

Executive Officers

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

Douglas H. Brooks, 45, joined the Company as an Assistant Manager in February 1978 and was promoted to General Manager in April 1978. In March 1979, Mr. Brooks was promoted to Area Supervisor and in May 1982 to Regional Director. He was again promoted in March 1987 to Senior Vice President-Central Region Operations and to the position of Concept Head and Senior Vice President-Chili's Operations in June 1992. Mr. Brooks was promoted to his current position of Senior Vice President - Chili's Grill & Bar Concept President in June 1994.

F. Lane Cardwell, Jr., 45, was elected Executive Vice President - Eatzi's Concept President in June 1996, having formerly held the positions of Executive Vice President - Strategic Development from June 1992 until October 1995 and Executive Vice President and Chief Administrative Officer from October 1995 until June 1996. Mr. Cardwell joined the Company as Vice President - Strategic Development in August 1988 and became Senior Vice President - Strategic Development in December 1990. Before joining the Company, Mr. Cardwell was employed by S&A Restaurant Corp. in various capacities from November 1978 to August 1988. Mr. Cardwell served as a member of the Board of

Directors of the Company from 1991 to 1996.

Leslie Christon, 43, was elected Senior Vice President - On The Border President in April 1997, having previously served as Vice President of Operations/On The Border since joining the Company in July 1996. Prior to this time, Ms. Christon held the position of Senior Vice President of Operations of Red Lobster Restaurants from November 1994 to June 1996 and she was with El Chico from June 1981 to November 1994. Ms. Christon serves on the Board of Directors of the Women's Foodservice Forum and is the past president of the Roundtable for Women in Foodservice, Inc.

Kenneth D. Dennis, 44, joined the Company as a Manager in November 1976 and was promoted to General Manager in June 1978. In February 1979, he became Director of Internal Systems and in September 1983 became Director of Marketing. Mr. Dennis was promoted to Vice President of Marketing in August 1986 and to Senior Vice President of Marketing in August 1993. In February 1997, Mr. Dennis became Senior Vice President-Chief Operating Officer of Cozymel's and was elected to Senior Vice President-Cozymel's President in September 1997. Mr. Dennis serves on the Board of Directors of the Marketing Executives Group and is the past Co-Chairman.

Carol E. Kirkman, 40, was appointed Executive Vice President of Human Resources in June 1997 after serving as Senior Vice President of Human Resources since April 1996. Ms. Kirkman joined the Company as Corporate Counsel in 1990 and was promoted to Vice President/Assistant General Counsel in 1994. Ms. Kirkman was an attorney in private practice in Dallas, Texas from 1982 until 1987 and worked as a commercial and retail real estate broker in southern California from 1987 until 1990.

John C. Miller, 42, joined the Company as Vice President-Special Concepts in September 1987. In October 1988, he was elected as Vice President-Joint Venture/Franchise and served in this capacity until August 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 as Senior Vice President - Mexican Concepts President in October 1995. In April 1997, Mr. Miller was elected Senior Vice President - Romano's Macaroni Grill President. Mr. Miller worked in various capacities with the Taco Bueno Division of Unigate Restaurants prior to joining the Company.

Russell G. Owens, 38, 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. Mr. Owens was elected Executive Vice President and Chief Strategic Officer in June 1997 and assumed the position of Chief Financial Officer in September 1997. Prior to joining the Company, Mr. Owens worked for the public accounting firm Deloitte & Touche.

Roger F. Thomson, 48, joined the Company as Senior Vice President, General Counsel and Secretary in April 1993 and was promoted to Executive Vice President, General Counsel and Secretary in March 1994. In June 1996, Mr. Thomson was promoted to the position of Executive Vice President, Chief Administrative Officer, General Counsel and Secretary and was a Director of the Company from 1993 until 1995. From 1988 until April 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.

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. The four classes of non-employee directors are as follows: Messrs. Humphries and Oesterreicher and Mrs. Evans comprise Class 1 and will be considered Retiring Directors as of the annual meeting of shareholders following the end of the 1998 fiscal year. There are no members of Class 2. Messrs. Haggar, Kirk and Marcus comprise Class 3 and will be considered Retiring Directors as of the annual meeting of shareholders following the end of the 2000 fiscal year. Messrs. 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. McDougall, Marcus, and Staubach) met four (4) times during the fiscal year and has authority to act for the Board on most matters during the intervals between Board meetings.

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. Haggar and Humphries and Mrs. Evans and the Committee met five (5) times during the fiscal year. Included among the functions performed by the Audit Committee are: the review with independent auditors of the scope of the audit and the results of the annual audit by the independent auditors; consideration and recommendation to the Board of the selection of the independent auditors for the next 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. Haggar, Oesterreicher and Staubach and it met six (6) times during the fiscal year. Functions performed by the Compensation Committee include: ensuring the effectiveness of senior management and management continuity, 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, approval of the adoption and amendment of significant compensation plans and approval of all compensation actions for officers, particularly at and above the level of executive vice president. The specific nature of the Committee's responsibilities as it relates to executive officers is set forth below under "Report of the Compensation Committee."

The purpose of the Nominating Committee is to recommend to the Board of Directors potential non-employee members to be added as new or replacement members to the Board of Directors. The Nominating Committee will consider a shareholder-recommended nomination for director to be voted upon at the 1998 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 26, 1998. The Nominating Committee is composed of Messrs. Brinker, Kirk, McDougall and Oesterreicher and Mrs. Evans and it met four (4) times during the fiscal year.

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 under the Company's 1991 Stock Option 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 cash payment of $36,000, at least 25% of which must be taken in the form of stock options. 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 will be granted as of the 60th day following such meeting (or if the 60th day is not a business day, on the first business day thereafter) at the fair-market value on the date of grant. One-third (1/3) of the options will vest on each of the second, third and fourth anniversaries 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.

For purposes of applying this compensation program to the current non-employee directors of the Company, the previous compensation program was blended with this compensation program in order to determine annual compensation payable to non-employee directors until such directors become Retiring Directors and leave the board or are approved by the Nominating Committee to serve for an additional four years. Mrs. Evans previously has received a grant of 15,000 stock options and will receive an annual cash retainer of $16,000; Dr. Humphries previously has received a grant of 15,000 stock options and will receive an annual cash retainer of $16,000; Mr. Oesterreicher previously has received a grant of 15,000 stock options and will receive an annual cash retainer of $6,000; Mr. Staubach previously has received a grant of 10,000 stock options and has received an annual cash retainer of $6,000. If Mr. Cook is elected to the Board of Directors, he will be compensated according to the new compensation plan. As Mr. Staubach is currently a Retiring Director, if he is re-elected to the Board of Directors, he will be compensated according to the new compensation plan. Messrs. Haggar, Kirk and Marcus are being compensated according to the new compensation plan.

During the year ended June 25, 1997, the Board of Directors held seven (7) meetings; each incumbent director attended 75% of the aggregate total of meetings of the Board of Directors and Committees on which he or she served.

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 1997.

Summary Compensation Table

				Long-Term Compensation		
				Awards	Payouts	
Name and Principal Position	Year	Annual Compensation Salary	Bonus	Securities Underlying Options	Long-Term Incentive Payouts	All Other Compensation (1)
Ronald A. McDougall						
President and Chief	1997	$ 825,000	$ 396,000	200,000	$ 67,289	$ 29,194
Executive Officer	1996	$ 744,808	$ -0-	375,000	$ 69,860	$ 18,396
	1995	$ 574,038	$ 278,839	125,000	$ 86,565	$ 50,555
Debra L. Smithart						
Executive Vice	1997	$ 350,000	$ 115,500	50,000	$ 40,374	$ 11,225
President and Chief	1996	$ 304,423	$ -0-	90,000	$ 46,574	$ 6,828
Financial Officer(2)	1995	$ 264,038	$ 95,714	30,000	$ 63,481	$ 11,805
Douglas H. Brooks						
Senior Vice President	1997	$ 333,654	$ 120,462	50,000	$ 33,645	$ 20,818
- Chili's Grill & Bar	1996	$ 311,058	$ -0-	90,000	$ 31,049	$ 12,830

Concept President	1995	$ 266,249	$ 77,212	30,000	$ 40,397	$ 15,636
F. Lane Cardwell, Jr.						
Executive Vice	1997	$ 320,000	$ 105,600	3,000	$ 40,374	$ 23,845
President - Eatzi's	1996	$ 290,385	$ -0-	90,000	$ 46,574	$ 15,007
Concept President	1995	$ 224,422	$ 81,353	30,000	$ 63,481	$ 19,236
Roger F. Thomson						
Executive Vice	1997	$ 317,231	$ 104,940	50,000	$ 40,374	$ 16,680
President, Chief	1996	$ 256,827	$ -0-	90,000	$ 31,049	$ 6,641
Administrative Officer,	1995	$ 227,019	$ 82,294	30,000	$ -0-	$ 13,024
General Counsel and						
Secretary						

(1) All other compensation represents Company match on deferred compensation.

(2) Ms. Smithart resigned from her position as Executive Vice President and Chief Financial Officer effective September 1, 1997.

Option Grants During 1997 Fiscal Year

The following table contains certain information concerning the grant of stock options pursuant to the Company's 1992 Incentive Stock Option 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	200,000	10.85%	$11.125	2/6/07	$1,399,291	$3,546,077
Debra L. Smithart	50,000	2.71%	$11.125	2/6/07	$ 349,823	$ 886,519
Douglas H. Brooks	50,000	2.71%	$11.125	2/6/07	$ 349,823	$ 886,519
F. Lane Cardwell, Jr.	3,000	0.16%	$11.125	2/6/07	$ 20,989	$ 53,191
Roger F. Thomson	50,000	2.71%	$11.125	2/6/07	$ 349,823	$ 886,519

(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 $14.00 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	-0-	-0-	658,750	731,250	$ 396,653	$1,075,000
Debra L. Smithart	-0-	-0-	166,341	177,500	$ 15,838	$ 263,750
Douglas H. Brooks	5,700	$78,643	419,278	173,750	$2,673,559	$ 263,750
F. Lane Cardwell, Jr.	-0-	-0-	208,500	130,500	$ 245,005	$ 128,625

Roger F. Thomson	-0-	-0-	105,000	177,500	$ -0-	$ 263,750

Long-Term Executive Profit Sharing Plan and Awards

Executives of the Company participate in the Long-Term Executive Profit Sharing Plan. See "Report of the Compensation Committee -- Long-Term Incentives" for more information regarding this plan. The following table represents awards granted in the last fiscal year under the Long-Term Executive Profit Sharing Plan.

Name	Number of Units Awarded	Estimated Future Payouts Under Non-Stock Based Plans (Dollars)		
		Threshold	Target	Maximum
Ronald A. McDougall	1,000	$66,667	$100,000	*
Debra L. Smithart	750	$50,000	$ 75,000	*
Douglas H. Brooks	600	$40,000	$ 60,000	*
F. Lane Cardwell, Jr.	750	$50,000	$ 75,000	*
Roger F. Thomson	750	$50,000	$ 75,000	*

* There is no maximum future payout under the Long-Term Executive Profit Sharing Plan.

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 premier 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 must 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 and incentive stock options.

Base Salaries

Executives' base salaries and total compensation are targeted to be competitive at the 75th percentile of the market for positions of similar responsibility and scope at the Vice President and Senior Vice President levels and, to reflect the exceptionally high level of executive talent required to execute the growth plans of the Company, between the 75th and 90th percentile of the market for the Chief Executive Officer, Executive Vice Presidents, and Concept Heads. Positioning executives' base salaries at these levels is needed 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 reliable executive salary surveys that reflect both the chain restaurant industry as well as a broader

cross-section of high growth companies from many industries. Individual base salary levels are determined by considering each officer's level of responsibility, performance, experience, and tenure. 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 Dallas-based 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 executives the same as for all other Company employees.

At the beginning of a fiscal year, each executive is assigned an Individual Participation Percentage ("IPP") which is tied to the base salary for such executive and 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

On January 1, 1993, the Company implemented the 401(k) Savings Plan ("Plan I") and Savings Plan II ("Plan II"). These Plans are designed to provide the Company's salaried employees with a tax-deferred long-term savings vehicle. The Company provides a matching contribution equal to 25% of a participant's contribution, up to a maximum of 5% of such participant's 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. Participants' contributions vest immediately while Company contributions vest 25% annually, beginning in the participant's second year of eligibility since Plan I inception.

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 highly compensated employees according to the Internal Revenue Service. A participant's contributions vest immediately while Company contributions vest 25% annually, beginning in the participant's second year of eligibility since Plan II inception.

Long-Term Incentives

All salaried employees of the Company, including executives, are eligible for annual grants of tax-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 on 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 (50%) of a stock option grant becomes exercisable two years after the grant date; the remaining 50% of a grant becomes exercisable three years after the grant date.

The number of stock options granted to an executive is based on grant guidelines that reflect an officer's position within the Company. The Compensation Committee reviews and approves grant amounts for executives.

Executives also participate in the Long-Term Executive Profit Sharing Plan, a non-qualified long-term performance cash plan. This plan provides an additional mechanism for focusing executives on the sustained improvement in operating results over the long term. This is a performance-related plan using overlapping three-year cycles paid annually. Performance units (valued at $100 each) are granted to individuals and paid in cash based upon the Company's attainment of predetermined performance objectives. Long-term operating results are measured by evaluating both pre-tax net income (weighted 70%) and changes in shareholders' equity (weighted 30%) over three-year cycles. The Long-Term Executive Profit Sharing Plan has been replaced by the Long-Term Performance Share Plan commencing with the cycle which includes fiscal years 1998, 1999, and 2000. The Long-Term Performance Share Plan is based on the Company's total shareholder return in comparison to the S&P 500 Index and the S&P Restaurant Industry Index. For executives to receive the target payout, the Company must perform at the 75th percentile of each index over the three-year cycle and must average at least 90% of its planned annual profit before taxes over the same three-year cycle.

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 3%, effective June 26, 1997, 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 1,000 units under the Long-Term Executive Profit Sharing Plan for the cycle which includes fiscal years 1997, 1998, and 1999. Mr. McDougall was also awarded 200,000 stock options under the Company's stock option plan. Approximately 30.1% of Mr. McDougall's compensation for 1997 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 1997 fiscal year, Mr. McDougall's total compensation increased 58.1% from its level in the 1996 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

J.M. HAGGAR, JR.
JAMES E. OESTERREICHER
ROGER T. STAUBACH