

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 29, 1994 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 (I.R.S. employer
incorporation or organization) identification no.)

6820 LBJ Freeway, Dallas, Texas 75240
(Address of principal executive offices) (Zip Code)

Registrant's telephone number,
including area code (214) 980-9917

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

Title of Each Class
Common Stock, \$0.10 par value

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 9, 1994 was \$1,754,066,362.00.

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 9, 1994
Common Stock, \$0.10 par value	71,647,592 Shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Annual Report to Shareholders for the fiscal year ended June 29, 1994 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 29, 1994, for its annual meeting of shareholders on November 3, 1994, 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 and development of the Chili's Grill & Bar ("Chili's"), Grady's American Grill ("Grady's"), Romano's Macaroni Grill ("Macaroni

Grill"), Spageddies Italian Kitchen ("Spageddies") and On The Border Cafes ("On The Border") restaurant concepts. The Company was organized under the laws of the State of Delaware in September 1983 to succeed to the business operated by Chili's, Inc., a Texas corporation, organized in August 1977. The Company completed the acquisitions of Grady's, Macaroni Grill, Spageddies and On The Border in February 1989, November 1989, June 1993 and May 1994 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 \$4.75 to \$9.95, with the average revenue per meal, including alcoholic beverages, approximating \$8.55 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 29, 1994, 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%.

Grady's American Grill

Grady's restaurants are casual, upscale dinner house restaurants which feature a broad menu focusing on fresh seafood, prime rib, steaks, chicken and pasta entrees, salads, sandwiches, appetizers, desserts and a full-service bar. Grady's restaurants feature booth and table seating, wood and brick walls, and brass fixtures. Service personnel are dressed smartly, in casual slacks, buttoned-down shirts and ties, to reinforce the upscale atmosphere.

The restaurant appeals to a slightly more sophisticated customer than Chili's. Entree selections range in price from \$5.45 to \$16.95, with the average revenue per meal, including alcoholic beverages, approximating \$10.95 per person. During the year ended June 29, 1994, food and non-alcoholic beverage sales constituted approximately 88% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 12%.

Romano's Macaroni Grill

Macaroni Grill is an upscale Italian theme restaurant which specializes in family-style recipes and features seafood, meat, chicken and pasta entrees, salads, pizza, appetizers and desserts with a limited wine and beer selection in most restaurants and a full-service bar in recent and future openings. Exhibition cooking, wood-burning ovens and rotisseries provide an enthusiastic and exciting environment in the restaurants. Macaroni Grill restaurants feature white linen-clothed tables, fireplaces, a pizza oven, sous stations, rotisseries 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 \$6.25 to \$15.95 with certain specialty items priced on a daily basis. The average revenue per meal, including alcoholic beverages, is approximately \$13.50 per person. During the year ended June 29, 1994, food and non-alcoholic beverage sales constituted approximately 83% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 17%.

Spageddies Italian Kitchen

Spageddies restaurants are casual, full-service, moderately-priced, family oriented Italian restaurants featuring rotisserie chicken,

steak and pasta entrees, salads, pizza, appetizers and desserts with a full-service bar. Spageddies restaurants feature an exhibition kitchen, a wood-burning pizza oven, booth and table seating, and prominent displays of peppers, parmesan and tomatoes. Service personnel are dressed casually in black pants and striped polo shirts to reinforce the casual, informal, open environment.

Entree selections range in menu price from \$4.25 to \$12.95, with the average revenue per meal, including alcoholic beverages, approximating \$9.25 per person. During the year ended June 29, 1994, food and non-alcoholic beverage sales constituted approximately 92% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 8%.

On The Border Cafes

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 serves "Texas-sized" non-alcoholic beverages in addition to offering a full-service bar. On The Border restaurants feature an outdoor patio, 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 \$5.45 to \$12.95, with the average revenue per meal, including alcoholic beverages, approximating \$10.00 per person. During the year ended June 29, 1994, food and non-alcoholic beverage sales constituted approximately 74% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 26%.

Restaurant Locations

At June 29, 1994, Brinker International, Inc.'s system of company-operated, joint venture and franchised units included 458 restaurants located in 43 states, Canada, Singapore, Malaysia and Mexico. The Company's portfolio of restaurants is illustrated below:

June 29, 1994

Chili's:	
Company-Operated	277
Franchise	83
Grady's	
	34
Macaroni Grill:	
Company-Operated	34
Franchise	1
Spageddies	
	6
On The Border:	
Company-Operated	14
Franchise	7
R&D Concepts:	
Company-Operated	1
Joint Venture	1
TOTAL	458

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 internal 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 only three restaurants, including one in fiscal 1993 and two in the second quarter of fiscal 1994, which were performing below the Company's standards primarily due to declining trading-area demographics. These and future closings will be key to a successful reallocation of resources to the stronger performing stores.

The following table illustrates the system-wide restaurants either opened or acquired in fiscal 1994 and the planned openings in fiscal 1995:

	Fiscal 1994 Openings	Restaurant Openings	
		Fiscal 1994 Net Acquisitions	Fiscal 1995 Projected Openings
Chili's:			
Company-Operated	31	11	30-34
Franchise	14	(13)	25-30
Grady's	10	-0-	10-11
Macaroni Grill:			
Company-Operated	12	-0-	15-16
Franchise	1	-0-	0-2
Spageddies	3	-0-	6-7
On The Border:			
Company-Operated	-0-	14	3-4
Franchise	-0-	7	-0-
R&D Concept--			
Joint Venture	1	-0-	2-3
TOTAL	72	19	91-107

The restaurants acquired by the Company in fiscal 1994 relate to three acquisitions. In October 1993, the Company acquired the assets of a franchisee, which operated four Chili's restaurants in Pennsylvania and Ohio for approximately \$8,165,000.00 in cash. In May 1994, the Company acquired 100% ownership interest in On The Border in exchange for 1,239,130 shares of Company common stock. On The Border operations included 14 company-operated and 7 franchised On The Border restaurants in Texas, Florida, Tennessee, Colorado and Missouri. Also in May 1994, the Company acquired the remaining 50% interest in Northwest Restaurants Joint Venture ("NRJV") from its joint venture partner in exchange for 256,576 shares of Company common stock. NRJV operated nine Chili's restaurants in California and Nevada.

The Company anticipates that some of the fiscal 1995 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. The Company's restaurant concept portfolio allows the Company to purchase multiple site locations, which offers the Company a competitive advantage in the real estate market.

As of June 29, 1994, the Company has completed obtaining sites for fiscal 1995 projected openings and has lease or purchase commitments for future construction of 44 Chili's, 12 Grady's, 17 Macaroni Grill,

6 Spageddies and 2 On The Border restaurant sites. The Company is currently in the process of locating sites for fiscal 1996 projected openings.

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

	Chili's	Grady's	Macaroni Grill	Spageddies	On The Border
Land	\$620,000	\$ 800,000	\$ 900,000	\$750,000	\$720,000
Building	850,000	1,100,000	1,050,000	975,000	975,000
Furniture and Equipment	450,000	560,000	475,000	550,000	575,000
Other	80,000	90,000	125,000	75,000	80,000
TOTAL	\$2,000,000	\$2,550,000	\$2,550,000	\$2,350,000	\$2,350,000

The specific rate at which the Company is able to open new restaurants is determined by its success in locating satisfactory sites, negotiating acceptable lease or purchase terms, securing appropriate local governmental permits and approvals, and by its capacity to supervise construction and recruit and train management personnel.

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 29, 1994, 14 new Chili's and one Macaroni Grill franchised restaurants were opened.

During the past two years, the Company entered into several international franchise agreements, which will bring Chili's to Australia, France, Puerto Rico, and the United Kingdom in the next 12 months. In fiscal 1994, the first Chili's restaurants outside North America opened in Singapore and Malaysia on February 4, 1994 and June 15, 1994, respectively. The third, fourth and fifth overseas Chili's locations opened in Egypt, Australia and Puerto Rico on July 19, 1994, August 28, 1994 and September 6, 1994, respectively.

The Company intends to continue pursuing international expansion and is currently contemplating development in other countries. The Company has entered into a separate joint venture agreement for research and development activities related to the testing of a new restaurant concept and has a 50% interest in this joint venture, which is accounted for under the equity method. A typical joint venture or franchise development agreement provides for payment of area development and initial franchise fees in addition to subsequent royalty and advertising fees based on the annual gross sales of each restaurant. Future joint venture or 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.

At June 29, 1994, 20 total joint venture or franchise development agreements existed. The Company anticipates that an additional 25 to 30 franchised Chili's, 0-2 franchised Macaroni Grill restaurants, and 1 franchised Spageddies restaurant will be opened during fiscal 1995.

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.

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 three 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. Each concept is directed by a President or Senior Vice President.

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 newly created 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.

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.

Employees

At June 29, 1994, the Company employed approximately 38,000 persons, of whom approximately 650 were corporate personnel, 1,300 were restaurant managers or trainees and 36,050 were employed in non-management restaurant positions. Of the 650 corporate employees, 250 were in management positions and approximately 400 were general

office employees. 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.

Service Marks

The Company has registered, among other marks, "Brinker International", "Chili's", "Grady's", "Romano's Macaroni Grill", "Spageddies", "Spageddies Italian Italian Food", and "On The Border" as service marks with the United States Patent and Trademark Office. In addition, the Company has a service mark application pending for "Grady's American Grill" and "Spageddies Italian Kitchen".

Seasonality

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

Governmental Regulation

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 anticipates legislation concerning mandated health care benefits which may have significant consequences to the Company.

Item 2. PROPERTIES.

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

	Chili's	Grady's	Macaroni Grill	Spageddies	On The Border
Square Feet	5,800	6,900	7,100	7,000	7,900
Dining Seats	210-220	230-250	230-250	240-260	340-360
Dining Tables	50-60	50-60	60-70	50-60	75-85

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 29, 1994, the Company owned the land and/or building for 236 of the 366 Company-operated restaurants. The Company has closed three restaurants since inception and considers that its properties are suitable, adequate, well-maintained and sufficient for the operations contemplated.

The Company leases warehouse space totalling approximately 31,500 square feet in Dallas, Texas, which it uses for menu development activity and 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. Approximately 5,600 square feet of this building is leased to third party tenants. In March 1992, the Company leased additional office space for the expansion of its corporate headquarters. This additional office lease was expanded in July 1994 and currently includes approximately 46,400 square feet of office space.

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 29, 1994:

First Quarter	26 1/12	22 1/6
Second Quarter	30 2/3	25 2/3
Third Quarter	33 1/3	26 5/6
Fourth Quarter	31 1/2	20 3/8

Fiscal year ended June 30, 1993:

First Quarter	18	13 8/9
Second Quarter	18 8/9	14 17/18
Third Quarter	21 2/3	18 5/9
Fourth Quarter	24 2/3	18 1/3

On March 9, 1994, the Company declared a stock split, effected in the form of a 50% stock dividend ("Stock Dividend") to shareholders of record on March 21, 1994, payable March 30, 1994. Stock prices in the preceding table have been restated to reflect the Stock Dividend.

As of September 9, 1994, there were 2,107 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 42 of the Company's 1994 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 43 through 47 of the Company's 1994 Annual Report to Shareholders is incorporated herein by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See Item 14(a).

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.

The information relating to the Company's directors (including those officers who are directors) is incorporated herein by reference from pages 4 through 9 of the Company's Proxy Statement dated September 29, 1994, for the annual meeting of shareholders on November 3, 1994.

Item 11. COMPENSATION INFORMATION.

"Executive Compensation" on pages 9 through 11 of the Company's Proxy Statement dated September 29, 1994, for the annual meeting of shareholders on November 3, 1994, is 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 29, 1994, for the annual meeting of shareholders on November 3, 1994, are incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

None.

PART IV

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

(a) (1) and (2) Financial Statements and Schedules.

Reference is made to the listing preceding the financial statements and schedules attached hereto on page 15 of all financial statements and schedules filed as a part of this Report.

(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 29, 1994.

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: Debra L. Smithart
Debra L. Smithart, Executive Vice
President - Chief Financial Officer

Dated: September 27, 1994

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 27, 1994.

Name	Title
Norman E. Brinker Norman E. Brinker	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)
Debra L. Smithart Debra L. Smithart	Executive Vice President - Chief Financial Officer and Director (Principal Financial and Accounting Officer)
Ronald A. McDougall	Director

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

INDEPENDENT AUDITORS' REPORT ON
FINANCIAL STATEMENT SCHEDULES

The Board of Directors
Brinker International, Inc.:

Under date of July 29, 1994, we reported on the consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 29, 1994 and June 30, 1993, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 29, 1994, as contained in the 1994 annual report to shareholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year ended June 29, 1994. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedules as listed in the accompanying index. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

KPMG Peat Marwick LLP

Dallas, Texas
July 29, 1994

SCHEDULE I

BRINKER INTERNATIONAL, INC.
MARKETABLE SECURITIES-OTHER INVESTMENTS
JUNE 29, 1994
(In thousands, except share amounts)

Type of Issue	Number of Shares or Principal Amounts	Cost	Market and Carrying Value
Preferred Stocks:			
Financial Institutions	768,578	\$ 24,714	\$ 24,501
Consumer Products	284,030	9,434	9,371
Energy	180,000	4,311	4,277

High Tech	120,000	3,800	3,790
Utilities	100,000	2,543	2,450
Insurance	50,000	878	850
Total Long-Term Investments		\$ 45,680	\$ 45,239

SCHEDULE V

BRINKER INTERNATIONAL, INC.
CONSOLIDATED PROPERTY AND EQUIPMENT
(In thousands)

	Balance at Beginning of Period	Additions (1)	Retirements	Balance at End of Period
For the Year Ended June 30, 1992:				
Land	\$ 38,752	\$ 26,008	\$ (480)	\$ 64,280
Buildings and Lease- hold Improvements	136,927	35,462	(805)	171,584
Furniture & Equipment	89,056	33,168	(6,751)	115,473
Construction-in- Progress	7,564	3,362	---	10,926
Total	\$ 272,299	\$ 98,000	\$ (8,036)	\$ 362,263
For the Year Ended June 30, 1993:				
Land	\$ 64,280	\$ 24,128	\$ (847)	\$ 87,561
Buildings and Lease- hold Improvements	171,584	52,894	(893)	223,585
Furniture & Equipment	115,473	31,693	(2,341)	144,825
Construction-in- Progress	10,926	18,116	---	29,042
Total	\$ 362,263	\$ 126,831	\$ (4,081)	\$ 485,013
For the Year Ended June 29, 1994:				
Land	\$ 87,561	\$ 20,734	\$(2,255)	\$ 106,040
Buildings and Lease- hold Improvements	223,585	65,252	(2,521)	286,316
Furniture & Equipment	144,825	33,949	(7,384)	171,390
Construction-in- Progress	29,042	2,258	---	31,300
Total	\$ 485,013	\$ 122,193	\$ (12,160)	\$ 595,046

(1) Additions primarily represent costs for acquiring land, constructing new restaurants, and equipping new restaurants.

SCHEDULE VI

BRINKER INTERNATIONAL, INC.
CONSOLIDATED ACCUMULATED DEPRECIATION AND AMORTIZATION
OF PROPERTY AND EQUIPMENT
(In thousands)

	Balance at Beginning of Period	Additions	Retirements	Balance at End of Period
For the Year Ended June 30, 1992:				
Buildings and Leasehold Improvements	\$ (26,222)	\$ (8,434)	\$ 188	\$ (34,468)
Furniture & Equipment	(48,752)	(15,225)	5,124	(58,853)

Total Accumulated Depreciation and Amortization	\$ (74,974)	\$ (23,659)	\$ 5,312	\$ (93,321)
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For the Year Ended
June 30, 1993:

Buildings and Leasehold Improvements	\$ (34,468)	\$ (10,147)	\$ 72	\$ (44,543)
Furniture & Equipment	(58,853)	(21,015)	2,147	(77,721)
Total Accumulated Depreciation and Amortization	\$ (93,321)	\$ (31,162)	\$ 2,219	\$ (122,264)

For the Year Ended
June 29, 1994:

Buildings and Leasehold Improvements	\$ (44,543)	\$ (17,611)	\$ 807	\$ (61,347)
Furniture & Equipment	(77,721)	(23,988)	2,198	(99,511)
Total Accumulated Depreciation and Amortization	\$(122,264)	\$ (41,599)	\$ 3,005	\$ (160,858)

SCHEDULE IX

BRINKER INTERNATIONAL, INC. CONSOLIDATED SHORT-TERM BORROWINGS (In thousands)

Category of Aggregate Short Term Borrowings	Balance At End of Period	Weighted Average Interest Rate	Maximum Amount Outstanding During The Period	Average Amount Outstanding During The Period (2)	Weighted Average Interest During The Period (3)
---	--------------------------	--------------------------------	--	--	---

NOTES PAYABLE TO BANKS (Bank Borrowings)(1)

Years Ended June 30,

1992	---	---	\$ 4,000	\$ 612	7.094%
1993	---	---	\$12,650	\$ 3,008	3.590%

Year Ended June 29,

1994	---	---	\$ 9,950	\$ 4,229	5.005%
------	-----	-----	----------	----------	--------

(1) Notes payable to banks represent obligations payable under line of credit agreements with local banks. Borrowings are arranged on an as needed basis at various terms.

(2) The average amount outstanding during the year represents the average monthly principal balances outstanding during the year.

(3) The weighted average interest rates during the year were computed by dividing the actual interest accrued on short-term borrowings by the average short-term borrowings.

SCHEDULE X

BRINKER INTERNATIONAL, INC. SUPPLEMENTAL INCOME STATEMENT INFORMATION (In thousands)

FOR THE YEARS ENDED

	June 29, 1994	June 30, 1993	June 30, 1992
Repair and Maintenance	17,740	12,010	10,593
Amortization	9,902	6,573	5,401
Property Tax	10,285	7,244	5,651
Advertising	27,507	23,922	17,694

INDEX TO EXHIBITS

Exhibit

3(a)	Certificate of Incorporation of the registrant, as amended. (1)
3(b)	Bylaws of the registrant. (2)
10(a)	Registrant's 1983 Incentive Stock Option Plan. (3)
10(b)	Registrant's 1991 Stock Option Plan for Non-Employee Directors and Consultants (4)
10(c)	Registrant's 1992 Incentive Stock Option Plan. (5)
13	1994 Annual Report to Shareholders. (6)
21	Subsidiaries of the registrant. (7)
23	Independent Auditors' Consent. (7)
27	Financial Data Schedule. (8)
99	Proxy Statement of registrant dated September 29, 1994. (6)

(1)	Filed as an exhibit to Registration Statement No. 32-52705 on Form S-4 and incorporated herein by reference.
(2)	Filed as an exhibit to Registration Statement No. 2-87736 on Form S-1 and incorporated herein by reference.
(3)	Filed as an exhibit to report on Form 10-K for year ended June 30, 1990 and incorporated herein by reference.
(4)	Filed as an exhibit to report on Form 10-K for year ended June 30, 1991 and incorporated herein by reference.
(5)	Filed as an exhibit to Registration Statement No. 33-61594 on Form S-8 and incorporated herein by reference.
(6)	Portions filed herewith, to the extent indicated herein.
(7)	Filed herewith.
(8)	Filed with EDGAR version.

E-1

EXHIBIT 13

1994 ANNUAL REPORT TO SHAREHOLDERS

SELECTED FINANCIAL DATA

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

Fiscal Years

	1994	1993	1992	1991	1990
Income Statement Data:					
Revenues	\$878,473	\$697,396	\$562,361	\$468,926	\$385,847
Costs and Expenses:					
Cost of Sales	239,835	193,794	156,246	135,365	113,521
Restaurant Expenses	446,845	355,040	294,095	245,583	202,957

Depreciation and Amortization	51,501	38,223	29,031	23,245	19,232
General and Administrative	45,662	37,170	30,761	26,338	21,501
Interest Expense	430	395	622	1,063	2,850
Merger Expenses	1,949	---	---	---	---
Lawsuit Settlement	2,248	---	---	---	---
Other, Net	(5,435)	(5,232)	(3,255)	(1,516)	(1,287)
Total Costs and Expenses	783,035	619,390	507,500	430,078	358,774
Income Before Provision for Income Taxes	95,438	78,006	54,861	38,848	27,073
Provision for Income Taxes	33,832	27,083	18,836	13,565	9,328
Net Income	\$ 61,606	\$ 50,923	\$ 36,025	\$ 25,283	\$ 17,745
Primary Net Income Per Share	\$ 0.83	\$ 0.70	\$ 0.50	\$ 0.39	\$ 0.31
Primary Weighted Average Shares Outstanding	74,572	72,911	71,454	65,336	56,526

Balance Sheet Data
(end of period):

Working Capital (Deficit)	\$(56,193)	\$(40,596)	\$(24,871)	\$ 1,944	\$(19,713)
Total Assets	558,709	454,354	354,748	276,407	207,891
Long-term Obligations	38,003	30,782	26,409	24,270	28,543
Shareholders' Equity	417,290	343,905	261,523	207,048	131,972

Number of Restaurants Open
at End of Period:

Company Operated	366	305	255	220	189
Franchised	92	78	60	51	41
Total	458	383	315	271	230

Prior year financial results have been restated to reflect the fiscal 1994 acquisitions accounted for as poolings of interests and the fiscal 1994 stock split effected in the form of a 50% stock dividend.

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

RESULTS OF OPERATIONS FOR FISCAL YEARS 1994, 1993, AND 1992

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		
	1994	1993	1992
Revenues	100.0%	100.0%	100.0%
Costs and Expenses:			
Cost of Sales	27.3%	27.8%	27.8%
Restaurant Expenses	50.9%	50.9%	52.3%
Depreciation and Amortization	5.9%	5.5%	5.2%
General and Administrative	5.2%	5.3%	5.5%
Interest Expense	0.0%	0.0%	0.0%
Merger Expenses	0.2%	---	---
Lawsuit Settlement	0.2%	---	---
Other, Net	(0.6%)	(0.7%)	(0.6%)
Total Costs and Expenses	89.1%	88.8%	90.2%
Income Before Provision for Income Taxes	10.9%	11.2%	9.8%
Provision for Income Taxes	3.9%	3.9%	3.4%
Net Income	7.0%	7.3%	6.4%

REVENUES

Increases in revenues of 26% and 24% in fiscal 1994 and 1993, respectively, primarily relate to the increases in the number of Company-owned restaurants

and comparable store sales. The percentage increase in the average number of Company-owned restaurants in operation was 20% for both fiscal 1994 and 1993. Increases in comparable store sales were 2.1% and 3.8% in fiscal 1994 and 1993, respectively. These favorable trends were due to increased customer counts resulting from the Company's commitment to providing quality food and service at an exceptional value, its ongoing evolution of the menu, and its continued remodeling program to keep its restaurants updated and the ambiance inviting to the guests. In addition, the Company continues to refine its real estate site selection process which focuses on trading-area demographics, visibility, accessibility, and complementary concept locations. Quality sites provide a competitive advantage and contribute to stronger sales for new restaurants. Menu price increases had little impact on the increase in revenues as weighted average price increases over the past two years averaged less than 1% per year.

COSTS AND EXPENSES (as a percent of Revenues)

Cost of sales decreased in fiscal 1994 compared to fiscal 1993. Favorable price changes in produce, dairy, poultry, and pasta, recipe changes toward lower food cost items, implementation of meat waste control systems, and increased purchasing leverage offset unfavorable price changes in non-alcoholic beverages. Cost of sales remained constant in fiscal 1993 compared to fiscal 1992 as the favorable impact from continued emphasis on food portioning and waste and yield management programs were offset by product mix changes to menu items with higher percentage food costs.

Restaurant expenses were flat in fiscal 1994. Insurance costs were flat as aggressive safety and loss management programs implemented in the restaurants in fiscal 1993 have continued to be successful and offset rising insurance and health care costs. Occupancy costs, however, decreased due to an increase in percentage of restaurants owned versus leased. Liquor taxes also decreased due to the Company's expansion into states with lower liquor tax rates. These decreases were offset by increases in manager salaries due to annual merit increases, manager training expenses to support expansion, and property taxes due to increased rates. In fiscal 1993, restaurant expenses declined as the administrative hours required of restaurant managers was reduced, programs to contain insurance costs were introduced, and rent expense decreased due to the increase in percentage of owned restaurants versus leased.

Depreciation and amortization increased in fiscal 1994 and 1993 primarily due to continued investments in computer hardware and software which has generated operating efficiencies at both the restaurants and corporate office support groups. Also, the ongoing restaurant remodeling program, the continued replacement of restaurant furniture and equipment, and the trend to purchase new restaurant sites in favor of leasing have contributed to the increases.

General and administrative expenses have decreased in the past two fiscal years as a result of the Company's focus on controlling corporate expenditures. Efficiencies resulting from investments in computer hardware and software allowed the Company to continue with the aggressive expansion of its restaurant concepts without incurring significant increases in staff and support costs.

Merger expenses are one-time charges related to the acquisition of On The Border, such as consulting fees, legal fees, and severance costs.

Lawsuit settlement represents a one-time charge to settle an injury claim arising from an airplane accident involving several former officers of On The Border.

Other, net, decreased in fiscal 1994. A gain of approximately \$1 million related to the sale of land in fiscal 1994 was offset by losses resulting from recognition of a permanent decline in market value for certain securities. Net realized gains on investment transactions were down slightly in fiscal 1994. Dividend and interest income, however, was flat. The increase in fiscal 1993 compared to fiscal 1992 is the result of increased realized gains from investment transactions experienced in fiscal 1993 offset somewhat by a decrease in dividend and interest income.

INCOME BEFORE PROVISION FOR INCOME TAXES

As a result of changes in the relationships between revenues and costs and expenses, income before provision for income taxes has increased at rates of 22.3% and 42.2% in fiscal 1994 and 1993, respectively.

INCOME TAXES

The Company's effective income tax rate of 35.4%, 34.7%, and 34.3% in fiscal 1994, 1993, and 1992, respectively, continues to increase as a result of incremental earnings taxed at higher effective rates and additional state income tax liabilities resulting from expansion, particularly relating to

growth in Florida and California.

The Omnibus Budget Reconciliation Act, enacted in August 1993, mandated certain changes in Federal income tax laws, which among other items, included an increase in the statutory Federal corporate income tax rate from 34% to 35%, retroactive to January 1993, reinstatement of the targeted jobs tax credit, retroactive to January 1993, and a tax credit for FICA taxes paid on tips, effective January 1994. These changes did not have a material impact on Brinker's fiscal 1994 and 1993 effective income tax rate or the consolidated financial statements.

NET INCOME AND NET INCOME PER SHARE

Net income and primary net income per share as a percent of revenues decreased slightly in fiscal 1994 as a result of one-time charges, including the \$2.2 million lawsuit settlement and \$1.9 million of costs incurred in connection with the On The Border acquisition. Net income and primary net income per share increased as a percent of revenues in fiscal 1993 as a result of controlling costs and expenses while continuing with the expansion of the restaurant concepts. The increases in the weighted average number of common shares outstanding arose from common stock options exercised each year.

STOCK DIVIDENDS

Stock splits in each of March 1994, May 1993, and November 1991, effected in the form of 50% stock dividends, resulted in the issuance of 23.2 million, 22.8 million, and 21.5 million shares of the Company's common stock, in fiscal 1994, 1993, and 1992, respectively.

IMPACT OF INFLATION

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

LIQUIDITY AND CAPITAL RESOURCES

The working capital deficit increased from \$40.6 million at June 30, 1993 to \$56.2 million at June 29, 1994. Strong operating results from new and existing units and the exercise of employee stock options generated cash proceeds that were offset by the Company's capital expenditures and the investment of available cash in long-term marketable securities. Net cash provided by operating activities increased to \$125.5 million in fiscal 1994 from \$106.2 million in fiscal 1993 due to the increased number of restaurants in operation, strong operating results from existing units, and the effective containment of costs.

The Company had available funds from credit facilities totalling \$41.2 million at June 29, 1994. The Company estimates that its capital expenditures during fiscal 1995 will approximate \$200 million. These capital expenditures, which will primarily relate to the planned expansion of each restaurant concept and the Company's ongoing remodel program, will be funded from internal operations, income earned from investments, build-to-suit lease agreements with landlords, and draw downs on the Company's available lines of credit.

The Clinton administration continues to analyze and propose new legislation which could adversely impact the entire business community. Mandated health care and minimum wage measures, if passed, could increase the Company's operating costs. The Company would attempt to offset increased costs through continued improvements in operating efficiencies and menu price increases.

The Company is not aware of any other event or trend which would potentially affect its liquidity. In the event such a trend would develop, the Company 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 PRONOUNCEMENT

In November 1992, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 112 ("SFAS No. 112"), Employers' Accounting for Postemployment Benefits. SFAS No. 112 sets forth standards of accounting and reporting for employers that offer postemployment benefits. SFAS No. 112 is effective for the Company in fiscal 1995. The Company does not believe the adoption of SFAS No. 112 will have a material impact on its consolidated financial statements.

	1994	1993
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 3,614	\$ 12,429
Accounts Receivable, Net	12,573	6,016
Assets Held for Sale and Leaseback	---	1,155
Inventories	8,152	6,907
Prepaid Expenses	18,229	12,564
Deferred Income Taxes (Note 7)	4,655	---
Total Current Assets	47,223	39,071
Property and Equipment, at Cost (Note 9):		
Land	\$ 106,040	\$ 87,561
Buildings and Leasehold Improvements	286,316	223,585
Furniture and Equipment	171,390	144,825
Construction-in-Progress	31,300	29,042
	595,046	485,013
Less Accumulated Depreciation and Amortization	160,858	122,264
Net Property and Equipment	434,188	362,749
Other Assets:		
Preopening Costs	\$ 7,927	\$ 9,781
Long-term Marketable Securities (Note 3)	45,239	28,693
Long-term Notes Receivable	2,231	2,773
Other (Notes 2 and 10)	21,901	11,287
Total Other Assets	77,298	52,534
Total Assets	\$ 558,709	\$ 454,354

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Current Installments of Long-Term Debt (Note 9)	\$ 501	\$ 886
Accounts Payable	45,037	31,902
Accrued Liabilities (Note 4)	57,878	45,960
Deferred Income Taxes (Note 7)	---	919
Total Current Liabilities	103,416	79,667
Long-Term Debt, Less Current Installments (Note 9)	4,464	7,845
Senior Subordinated Convertible Debentures (Note 6)	1,200	1,200
Deferred Income Taxes (Note 7)	12,143	8,837
Other Liabilities	20,196	12,900
Commitments and Contingencies (Notes 9, 10 and 11)		
Shareholders' Equity (Notes 2 and 8):		
Preferred Stock-1,000,000 Authorized Shares; \$1.00 Par Value; No Shares Issued	---	---
Common Stock-100,000,000 Authorized Shares; \$.10 Par Value; 71,029,522 and 69,946,814 Shares Issued and Outstanding in 1994 and 1993, Respectively	7,103	6,995
Additional Paid-In Capital	182,579	170,467
Unrealized Loss on Marketable Securities (Note 3)	(441)	---
Retained Earnings	228,049	166,443
Total Shareholders' Equity	417,290	343,905
Total Liabilities and Shareholders' Equity	\$ 558,709	\$ 454,354

See Accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME (In thousands, except per share amounts)

	FISCAL YEARS		
	1994	1993	1992
Revenues	\$878,473	\$697,396	\$562,361
Costs and Expenses:			

Cost of Sales	239,835	193,794	156,246
Restaurant Expenses (Note 9)	446,845	355,040	294,095
Depreciation and Amortization	51,501	38,223	29,031
General and Administrative	45,662	37,170	30,761
Interest Expense	430	395	622
Merger Expenses (Note 2)	1,949	---	---
Lawsuit Settlement (Note 11)	2,248	---	---
Other, Net (Note 3)	(5,435)	(5,232)	(3,255)
Total Costs and Expenses	783,035	619,390	507,500
Income Before Provision for Income Taxes	95,438	78,006	54,861
Provision for Income Taxes (Note 7)	33,832	27,083	18,836
Net Income	\$ 61,606	\$ 50,923	\$ 36,025
Primary Net Income Per Share	\$ 0.83	\$ 0.70	\$ 0.50
Primary Weighted Average Shares Outstanding	74,572	72,911	71,454
Fully Diluted Net Income Per Share	\$ 0.83	\$ 0.70	\$ 0.50
Fully Diluted Weighted Average Shares Outstanding	74,668	73,040	71,609

See Accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)

	Common Shares	Stock Amount	Additional Paid-In Capital	Unrealized Loss On Marketable Securities	Retained Earnings	Total
Balances at June 30, 1991	64,670	\$ 6,467	\$122,927	\$ (1,841)	\$ 79,495	\$207,048
Net Income	---	---	---	---	36,025	36,025
Recovery of Unrealized Loss on Marketable Securities (Note 3)	---	---	---	1,841	---	1,841
Issuances of Common Stock	1,638	164	16,445	---	---	16,609
Balances at June 30, 1992	66,308	\$ 6,631	\$139,372	\$ ---	\$115,520	\$261,523
Net Income	---	---	---	---	50,923	50,923
Issuances of Common Stock	3,639	364	31,095	---	---	31,459
Balances at June 30, 1993	69,947	\$ 6,995	\$170,467	\$ ---	\$166,443	\$343,905
Net Income	---	---	---	---	61,606	61,606
Unrealized Loss on Marketable Securities (Note 3)	---	---	---	(441)	---	(441)
Issuances of Common Stock	1,083	108	12,112	---	---	12,220
Balances at June 29, 1994	71,030	\$ 7,103	\$182,579	\$ (441)	\$228,049	\$417,290

See Accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	FISCAL YEARS		
	1994	1993	1992
Cash Flows From Operating Activities:			
Net Income	\$ 61,606	\$ 50,923	\$ 36,025
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:			
Depreciation and Amortization of Property and Equipment	41,599	31,162	23,659
Amortization of Preopening Costs	9,902	7,061	5,372
Gain on Sale of Land	(1,000)	---	---
Net Gain on Sale of Long-term Marketable Securities	(1,543)	(1,579)	(15)

Loss on Impairment of Long-term Marketable Securities	1,072	---	---
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(6,557)	(948)	809
Increase in Inventories	(1,245)	(1,251)	(1,017)
Increase in Prepaid Expenses	(5,665)	(2,678)	(1,329)
Increase in Other Assets	(11,179)	(12,989)	(6,681)
Increase in Accounts Payable	21,522	24,604	15,208
Increase in Accrued Liabilities	11,918	10,166	12,353
(Decrease) Increase in Deferred Income Taxes	(2,268)	(5,753)	3,622
Increase (Decrease) in Other Liabilities	7,296	7,487	(418)
Net Cash Provided by Operating Activities	125,458	106,205	87,588
Cash Flows From Investing Activities:			
Payments for Property and Equipment	(114,994)	(124,969)	(95,276)
Proceeds from Sale of Land	4,180	---	---
Payment for Purchase of Restaurants (Note 2)	(8,165)	---	---
Decrease (Increase) in Assets Held for Sale and Leaseback	1,155	13	(442)
Purchases of Long-term Marketable Securities	(58,986)	(62,796)	(45,016)
Proceeds from Sales of Long-term Marketable Securities	42,470	61,630	36,407
Net Cash Used in Investing Activities	(134,340)	(126,122)	(104,327)
Cash Flows From Financing Activities:			
Payments of Long-Term Debt	(3,766)	(298)	(2,282)
Proceeds from Issuance of Debentures	---	---	1,200
Proceeds from Issuances of Common Stock	3,833	12,477	10,792
Net Cash Provided by Financing Activities	67	12,179	9,710
Net Decrease in Cash and Cash Equivalents	(8,815)	(7,738)	(7,029)
Cash and Cash Equivalents at Beginning of Year	12,429	20,167	27,196
Cash and Cash Equivalents at End of Year	\$ 3,614	\$ 12,429	\$ 20,167
Cash Paid During the Year:			
Interest, Net of Amounts Capitalized	\$ 430	\$ 395	\$ 622
Income Taxes	\$ 26,579	\$ 11,687	\$ 8,847
Non-Cash Transactions During the Year:			
Tax Benefit from Stock Options Exercised	\$ 8,387	\$ 18,982	\$ 5,817
Property and Equipment Received in Exchange for Note Receivable	\$ ---	\$ ---	\$ 2,305
Property and Equipment Received in Exchange for Property and Equipment	\$ ---	\$ ---	\$ 1,483

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.

On March 9, 1994, Brinker declared a stock split in the form of a 50% stock dividend to shareholders of record on March 21, 1994, payable on March 30, 1994. As a result, 23.2 million shares of common stock were issued, and cash was paid in lieu of fractional shares. All references to the number of shares and per share amounts of common stock have been restated to reflect this stock dividend. In addition, Brinker's consolidated financial statements and notes thereto have been restated to include the accounts and operations of On The Border Cafes, Inc. ("On The Border") and Northwest Restaurants Joint Venture ("NRJV") for all periods presented (see Note 2).

Effective July 1, 1993, Brinker adopted a 52 week fiscal year ending on the last Wednesday in June. Most retailing and restaurant companies

operate on an accounting calendar that is measured in weeks rather than months. Thus, a normal fiscal year only contains 364 days. Every fifth or sixth year, lost days are recaptured by having a 53 week fiscal year. This change enhances Brinker's ability to measure comparative operating results. The impact of this change was not significant. Fiscal years 1994, 1993, and 1992 ended June 29, 1994, June 30, 1993, and June 30, 1992, respectively.

Certain amounts in the fiscal 1993 consolidated financial statements have been reclassified to conform with the fiscal 1994 presentation.

(b) Cash and Cash Equivalents

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 \$110,000 and \$11,142,000 at June 29, 1994 and June 30, 1993, respectively, consist primarily of money market funds, short-term municipal funds, and commercial paper. The carrying value of these instruments approximates market value due to their short-term maturities.

(c) Inventories

Inventories, which consist of food, beverages, and supplies, are stated at the lower of cost (first-in, first-out 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 \$690,000, \$800,000, and \$1,300,000 during fiscal 1994, 1993, and 1992, 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. Effective July 1, 1993, Brinker prospectively revised its policy for capitalizing and amortizing preopening costs associated with the opening of new restaurant sites. The amortization period was reduced from 24 months to 12 months. The impact of the change in accounting policy did not have a material impact on Brinker's consolidated financial statements.

(g) Stock Options

Proceeds from the exercise of common stock options issued to officers, directors, key employees, and certain non-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.

(h) 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.

2. BUSINESS COMBINATIONS

On June 30, 1993, Brinker acquired the remaining 50% interest in its three unit Spageddies Italian Kitchen restaurant concept ("Spageddies")

from its joint venture partner in exchange for 205,716 shares of Brinker's common stock. The acquisition was accounted for as a pooling of interests, and accordingly, Brinker's 1993 consolidated financial statements include the accounts and operations of Spageddies since the commencement of its operations in July 1992.

On October 7, 1993, Brinker acquired the assets of a franchisee, which operated four Chili's restaurants in Pennsylvania and Ohio, for approximately \$8,165,000 in cash. The acquisition was accounted for as a purchase. Goodwill of approximately \$6,941,000, representing the excess of cost over the fair value of the assets acquired, was recorded in connection with the acquisition and is included in other assets. Goodwill is being amortized on a straight-line basis over 30 years. The operations of the restaurants are included in Brinker's consolidated results of operations from the date of acquisition. The results of operations on a pro forma basis are not presented separately as the results do not differ significantly from historical amounts reported herein.

On May 18, 1994, Brinker consummated a merger agreement with On The Border, pursuant to which Brinker acquired a 100% ownership interest in On The Border. Under the terms of the merger agreement, 3,767,711 fully diluted shares of On The Border common stock were converted to 1,239,130 shares of Brinker common stock (approximately 0.3 for 1 exchange). On The Border's operations included fourteen company-operated and seven franchised casual dining Tex-Mex theme restaurants. This acquisition was accounted for as a pooling of interests.

On May 25, 1994, Brinker acquired the remaining 50% interest in NRJV from its joint venture partner in exchange for 256,576 shares of Brinker common stock. NRJV owned and operated nine Chili's restaurants in California and Nevada. This acquisition was accounted for as a pooling of interests.

Revenues, net income (loss), primary net income (loss) per share, and fully diluted net income (loss) per share for the period ended May 4, 1994, fiscal 1993, and fiscal 1992 are presented below for Brinker, On The Border, and NRJV on a separate and combined basis (in thousands, except per share amounts):

	Period Ended May 4 1994 (1) (Unaudited)	Year Ended June 30 1993	1992
Revenues:			
Brinker	\$684,901	\$652,943	\$519,260
On The Border	28,169	25,615	21,765
NRJV	19,634	22,755	24,143
Pro forma adjustments	(2,573)	(3,917)	(2,807)
Combined	\$730,131	\$697,396	\$562,361
Net income (loss):			
Brinker	\$ 53,722	\$ 48,933	\$ 35,712
On The Border	(4,234)	970	(20)
NRJV	2,135	4,020	2,119
Pro forma adjustments	(749)	(3,000)	(1,786)
Combined	\$ 50,874	\$ 50,923	\$ 36,025
Primary and fully diluted net income (loss) per share:			
Brinker	\$ 0.72	\$ 0.67	\$ 0.50
On The Border	(0.06)	0.01	0.00
NRJV	0.03	0.06	0.02
Pro forma adjustments	(0.01)	(0.04)	(0.02)
Combined	\$ 0.68	\$ 0.70	\$ 0.50

(1) On The Border amounts are based on financial results through April 25, 1994.

Pro forma adjustments represent the elimination of royalty fees, franchise fees, development fees, accounting fees, and management fees charged to NRJV by Brinker, and the elimination of Brinker's investment in NRJV including partnership distributions and equity income. In addition, a pro forma adjustment was made in fiscal 1994 to reinstate an On The Border deferred income tax asset of approximately \$1,024,000 which was not recognized on an On The Border stand-alone basis due to the uncertainty of On The Border's ability to utilize the asset against future earnings.

Merger expenses of \$1,949,000 incurred in fiscal 1994 related to the acquisition of On The Border are reported separately to reflect the impact of nonrecurring charges. These costs primarily relate to

consulting fees, legal fees, and severance costs.

3. INVESTMENTS

Brinker adopted Statement of Financial Accounting Standards No. 115 ("SFAS No. 115"), Accounting for Certain Investments in Debt and Equity Securities, effective June 29, 1994. Under SFAS No. 115, debt and equity securities are classified into three categories: trading, available-for-sale, and held-to-maturity. Trading securities represent debt and equity securities held for a very short period with the intent on making a profit on the difference between retail versus dealer prices. Held-to-maturity securities represent debt securities that a company has the intent and ability to hold to maturity. Available-for-sale securities represent debt and equity securities that can not be classified as trading or held-to-maturity.

As of June 29, 1994, Brinker's investment portfolio consists entirely of equity securities classified as available-for-sale. SFAS No. 115 requires available-for-sale securities to be carried at fair value with unrealized gains and unrealized losses reported as a separate component of shareholders' equity. A decline in market value of any available-for-sale security below cost that is deemed other than temporary is charged to earnings resulting in the establishment of a new cost basis for the security.

Brinker's investment position at June 29, 1994 and June 30, 1993 is as follows (in thousands):

	1994	1993
Cost	\$45,680	\$28,693
Gross unrealized holding gains	66	917
Gross unrealized holding losses	(507)	(34)
Fair value	\$45,239	\$29,576

Realized gains and realized losses are determined on a specific identification basis. Realized gains and realized losses from investment transactions were \$1,871,000 and \$1,400,000 (including \$1,072,000 of realized losses resulting from recognition of a permanent decline in market value for certain securities) during fiscal 1994, \$2,137,000 and \$558,000 during fiscal 1993, and \$965,000 and \$950,000 during fiscal 1992. Dividend and interest income during fiscal 1994, 1993, and 1992 was \$3,624,000, \$2,800,000, and \$3,200,000, respectively. Realized gains and realized losses as well as dividend and interest income are included in other, net.

4. ACCRUED LIABILITIES

Accrued liabilities consist of the following (in thousands):

	1994	1993
Insurance	\$16,956	\$10,651
Payroll	13,810	11,171
Profit sharing	6,259	5,630
Property tax	6,023	3,948
Sales tax	4,843	4,324
Other	9,987	10,236
	\$57,878	\$45,960

5. CREDIT FACILITIES

Brinker has available credit facilities aggregating \$41.2 million at June 29, 1994. These credit facilities bear interest based upon the lower of the banks' "Base" or prime rate plus 1%, CD rates, or Eurodollar rates, and expire through fiscal 1995. Commitment fees related to these credit facilities were not material.

6. SENIOR SUBORDINATED CONVERTIBLE DEBENTURES

Prior to its acquisition by Brinker, On The Border completed the private placement of \$1,200,000 of senior subordinated convertible debentures ("debentures") on March 10, 1992. The debentures bear interest at 8.5% per annum and are payable semi-annually. If not previously converted, Brinker will be required to redeem \$300,000 of debentures on each of January 15, 1996, 1997, 1998, and December 31, 1998. The debentures may be converted into Brinker common stock at a rate of \$24.32 per share by the holders at any time and may be prepaid at the election of Brinker.

7. INCOME TAXES

Brinker adopted Statement of Financial Accounting Standards No. 96 ("SFAS No. 96"), "Accounting for Income Taxes", in fiscal 1988. The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109 ("SFAS No. 109"), "Accounting for Income Taxes", in February 1992. SFAS No. 109, which supersedes SFAS No. 96, retained the asset and liability approach for financial accounting and reporting for income taxes as in SFAS No. 96, but reduced the complexity of SFAS No. 96 and changed the criteria for recognition and measurement of deferred tax assets. Effective July 1, 1993, Brinker adopted SFAS No. 109 without restatement of prior periods and the impact on Brinker's consolidated financial statements was not material.

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

	1994	1993	1992
Current income tax expense:			
Federal	\$32,120	\$29,335	\$13,445
State	3,980	3,501	1,769
Total current income tax expense	36,100	32,836	15,214
Deferred income tax expense (benefit):			
Federal	(1,935)	(5,551)	3,002
State	(333)	(202)	620
Total deferred income tax expense (benefit):	(2,268)	(5,753)	3,622
	\$33,832	\$27,083	\$18,836

A reconciliation between the reported provision for income taxes and the amount computed by applying the statutory Federal income tax rate of 35% in fiscal 1994 and 34% in fiscal 1993 and 1992 to income before provision for income taxes follows (in thousands):

	1994	1993	1992
Income tax expense at statutory rate	\$33,403	\$26,522	\$18,653
Targeted jobs tax credit	(709)	(588)	(919)
FICA tax credit	(1,097)	---	---
Foreign tax credit	(55)	(50)	(31)
Net investment activities	(870)	(1,094)	(650)
State income taxes	2,228	2,177	1,577
Other	932	116	206
	\$33,832	\$27,083	\$18,836

The income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities as determined under SFAS No. 109 as of June 29, 1994 follows (in thousands):

Deferred income tax assets:

Insurance reserves	\$10,399
Leasing transactions	2,004
Net operating loss carryforwards	2,255
Other, net	4,509
Total deferred income tax assets	19,167

Deferred income tax liabilities:

Depreciation and capitalized interest on property and equipment	16,116
Preopening costs amortization	5,670
Prepaid expenses	480
Other, net	4,389
Total deferred income tax liabilities	26,655
Net deferred income tax liability	\$ 7,488

The income tax effects of temporary differences that give rise to significant portions of deferred income tax (assets) liabilities as determined under SFAS No. 96 as of June 30, 1993 are as follows (in thousands):

Depreciation and capitalized interest on property and equipment	\$13,269
Insurance reserves	(6,948)
Preopening costs amortization	5,796
Leasing transactions	(1,898)
Net operating loss carryforwards	(398)
Other, net	(65)
Net deferred income tax liability	\$ 9,756

At June 29, 1994, Brinker has available net operating loss carryforwards for Federal income tax purposes of \$5,981,000 (arising from the On The Border merger), which are available to offset future Federal taxable income through fiscal 2008.

The Omnibus Budget Reconciliation Act, enacted in August 1993, mandated certain changes in Federal income tax laws, which among other items, included an increase in the statutory Federal corporate income tax rate from 34% to 35%, retroactive to January 1993, reinstatement of the targeted jobs tax credit, retroactive to January 1993, and a tax credit for FICA taxes paid on tips, effective January 1994. These changes did not have a material impact on Brinker's fiscal 1994 and 1993 effective income tax rate or the consolidated financial statements.

8. 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 16.3 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 year from the date of grant, with various vesting periods, and expire ten years from the date of grant. Option prices under these plans range from \$1.27 to \$26.83.

Transactions during fiscal 1994, 1993, and 1992 were as follows (in thousands, except option prices):

	1994	1993	1992
Options outstanding at beginning of year	6,284	6,498	6,318
Granted	1,474	1,539	1,277
Exercised	(771)	(1,562)	(944)
Canceled	(90)	(191)	(153)
Options outstanding at end of year	6,897	6,284	6,498
Option price range for options granted during the year	\$20.38 to \$26.83	\$18.95 to \$19.33	\$11.22 to \$14.55
Options exercisable at end of year	3,282	2,702	3,059
Options available for grant at end of year	2,321	3,705	1,677

(b) 1984 Non-Qualified Stock Option Plan

In accordance with the Non-Qualified Stock Option Plan adopted in December 1984, options to purchase approximately 5.0 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. Option prices under this plan range from \$.35 to \$5.30.

On November 30, 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 1994, 1993, and 1992 were as follows (in thousands):

	1994	1993	1992
Options outstanding at beginning of year	858	2,741	2,871
Exercised	(309)	(1,871)	(127)
Canceled	---	(12)	(3)
Options outstanding at end of year	549	858	2,741
Options exercisable at end of year	549	858	2,741

(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, are exercisable beginning two years

from the date of grant, with a three year vesting period, and expire ten years from the date of grant. Option prices under this plan range from \$11.22 to \$23.92.

Transactions during fiscal 1994, 1993, and 1992 were as follows (in thousands, except option prices):

	1994	1993	1992
Options outstanding at beginning of year	107	80	---
Granted	18	27	80
Exercised	(3)	---	---
Options outstanding at end of year	122	107	80
Option price for options granted during the year	\$23.92	\$14.67	\$11.22
Options exercisable at end of year	36	---	---
Options available for grant at end of year	213	231	258

(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 pre-acquisition common stock were authorized for grant. Options were granted at market value on the date of grant, were exercisable in installments, and expired three to five years from date of grant. Effective May 18, 1994, the 376,000 unexercised On The Border stock options became exercisable immediately in accordance with the Stock Option Plan's change in control clause (see Note 2) and were converted to approximately 124,000 Brinker stock options. These options are outstanding at June 29, 1994 and are exercisable at prices ranging from \$17.48 to \$24.32.

9. LEASES

(a) Capital Leases

Brinker leases certain buildings under various leases which are classified as capital leases. The asset value of \$7,900,000 at June 29, 1994 and at June 30, 1993, and the related accumulated amortization of \$5,100,000 and \$4,800,000 at June 29, 1994 and June 30, 1993, 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 1994, 1993, and 1992 was \$31,700,000, \$27,400,000, and \$24,900,000, respectively. Contingent rent included in rent expense for fiscal 1994, 1993, and 1992 was \$2,800,000, \$2,500,000, and \$1,900,000, respectively.

(c) Commitments

At June 29, 1994, future minimum lease payments on capital and operating leases were as follows (in thousands):

Fiscal Year	Capital Leases	Operating Leases
1995	\$ 965	\$ 26,724
1996	955	26,577
1997	949	26,390
1998	771	25,938
1999	657	25,355
Thereafter	2,881	186,927
Total minimum lease payments	7,178	\$317,911
Imputed interest (average rate of 11.5%)	2,213	
Present value of minimum payments	4,965	
Less current installments	501	
Capital lease obligations	\$4,464	

In July 1993, Brinker entered into operating lease agreements with unaffiliated groups to begin leasing certain restaurant sites. These unaffiliated groups have committed to make available up to \$30,000,000 for the development of restaurants to be leased by Brinker for up to 5 years. The agreements with these groups expire in fiscal 1998, and do not provide for renewal. Upon expiration, Brinker may either purchase the properties or allow the lessor to sell the restaurants to an unrelated party and guarantee the residual value of approximately \$25,500,000. At June 29, 1994, \$12,400,000 of this financing facility had been utilized.

At June 29, 1994, 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.

10. SAVINGS PLANS

Effective January 1, 1993, Brinker established the Brinker Savings Plan I ("Plan I"), a qualified defined contribution retirement plan 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 25% of the first 5% an employee contributes with Brinker common stock. Employee contributions vest immediately while Brinker contributions vest 25% annually beginning in the participants' second year of eligibility since plan inception. In fiscal 1994 and 1993, Brinker contributed approximately \$345,000 (representing 11,666 shares of Brinker common stock) and \$173,000 (representing 8,162 shares of Brinker common stock), respectively, and incurred approximately \$116,000 and \$48,000 in administrative fees, respectively.

Effective January 1, 1993, Brinker established the Brinker Savings Plan II ("Plan II"), a non-qualified defined contribution retirement plan 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, and contribute such amounts to various investment funds. Brinker matches 25% of the first 5% a non-officer contributes with Brinker common stock 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 1994 and 1993, Brinker contributed approximately \$231,000 (of which approximately \$175,000 was used to purchase 7,096 shares of Brinker common stock) and \$69,000 (of which approximately \$49,000 was used to purchase 2,373 shares of Brinker common stock), respectively, and incurred approximately \$116,000 and \$48,000 in administrative fees, respectively. Brinker has a Rabbi Trust to fund Plan II obligations. As of June 29, 1994 and June 30, 1993, assets of the trust aggregated approximately \$2,599,000 and \$566,000, respectively, and are included in other assets. The aggregate market value of these assets at June 29, 1994 and June 30, 1993 approximated aggregate cost.

11. LAWSUIT SETTLEMENT AND CONTINGENCIES

On March 13, 1993, certain officers of On The Border and various family members were involved in an airplane accident. In fiscal 1994, the claim was settled for approximately \$2,248,000 and On The Border was released from further liability.

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 not matters pending or threatened which are expected to have a material adverse effect on Brinker's consolidated financial condition or results of operations.

12. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following summarizes the unaudited consolidated quarterly results of operations for fiscal 1994 and 1993.

(in thousands, except per share amounts)

	Quarters Ended			
	Sept. 29	Dec. 29	March 30	June 29
Revenues	\$205,368	\$212,196	\$224,508	\$236,401
Income Before Provision for Income Taxes	22,771	20,024	24,818	27,825
Net Income	14,758	12,995	15,966	17,887
Primary Net Income Per Share	0.20	0.17	0.21	0.24
Primary Weighted Average Shares Outstanding	74,148	74,682	74,824	74,512

	Fiscal 1993 Quarters Ended			
	Sept. 30	Dec. 31	March 31	June 30
Revenues	\$161,336	\$163,097	\$175,286	\$197,677
Income Before Provision for Income Taxes	17,524	16,457	20,321	23,704
Net Income	11,777	10,789	13,077	15,280
Primary Net Income Per Share	0.16	0.15	0.18	0.21
Primary Weighted Average Shares Outstanding	71,912	72,383	73,167	73,606

Amounts differ from those previously reported to reflect the fiscal 1994 acquisitions accounted for as poolings of interest as discussed in Note 2.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Brinker International, Inc.:

We have audited the accompanying consolidated balance sheets of Brinker International, Inc. and subsidiaries ("the Company") as of June 29, 1994 and June 30, 1993, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended June 29, 1994. 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 the Company's 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 29, 1994 and June 30, 1993, and the results of their operations and cash flows for each of the years in the three-year period ended June 29, 1994, in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

Dallas, Texas
July 29, 1994

EXHIBIT 21

BRINKER INTERNATIONAL, INC., A DELAWARE CORPORATION

SUBSIDIARIES

REGISTRANT has other wholly-owned subsidiaries not shown herein, all of which

operate full-service restaurants in various locations throughout the United States.

ON THE BORDER CAFES, INC., a Texas corporation, is a wholly-owned subsidiary of Registrant. ON THE BORDER CAFES, INC. has other wholly-owned subsidiaries not shown herein.

BRINKER RESTAURANT CORPORATION, a Delaware corporation, is a wholly-owned subsidiary of Registrant. BRINKER RESTAURANT CORPORATION has other wholly-owned subsidiaries not shown herein.

BRINKER SPAGEDDIES CORPORATION, a Delaware corporation (a wholly-owned subsidiary of Brinker Restaurant Corporation)

CHILI'S BEVERAGE COMPANY, INC., a Texas corporation (an indirect wholly-owned subsidiary of Brinker Restaurant Corporation)

GRADY'S, INC., a Tennessee corporation (a wholly-owned subsidiary of Brinker Restaurant Corporation)

MODERNAGE, INC., a Delaware corporation (a wholly-owned subsidiary of Brinker Restaurant Corporation)

ROMANO'S MACARONI GRILL, INC., a Texas corporation (a wholly-owned subsidiary of Brinker Restaurant Corporation)

BRINKER TEXAS, L.P., a Texas limited partnership (an indirect wholly-owned subsidiary of Brinker Restaurant Corporation)

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Brinker International, Inc.:

We consent to incorporation by reference in the Registration Statement No. 33-61594 on Form S-8, No. 33-52705 on Form S-4 and No. 33-67318, No. 33-55181 and No. 33-53965 on Form S-3 of Brinker International, Inc. and subsidiaries of our reports dated July 29, 1994, relating to the consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 29, 1994 and June 30, 1993, and the related consolidated statements of income, shareholders' equity, and cash flows and related schedules for each of the years in the three-year period ended June 29, 1994, which reports appear or are incorporated by reference in the June 29, 1994 annual report on Form 10-K of Brinker International, Inc. and subsidiaries.

KPMG Peat Marwick LLP

Dallas, Texas
September 27, 1994

EXHIBIT 27

FINANCIAL DATA SCHEDULE

[Filed With EDGAR Version]

EXHIBIT 99

PROXY STATEMENT OF REGISTRANT DATED SEPTEMBER 29, 1994

DIRECTORS AND EXECUTIVE OFFICERS

A brief description of each person nominated to become a director of the Company is provided below. All nominees are currently serving as directors of the Company, each having been elected at the last annual meeting of the Company's shareholders held on November 4, 1993, except James E. Oesterreicher and Frederick S. Humphries, both of whom were appointed to the Board of

Directors on May 3, 1994.

Norman E. Brinker, 63, has been Chairman of the Board of Directors and Chief Executive Officer of the Company since September 1983, except for the period from January 27, 1993 to May 4, 1993. During this time period, Mr. Brinker was incapacitated due to an injury, and until his recovery the positions of Chairman and CEO were held by Ronald A. McDougall. Mr. Brinker is a member of the Executive and Nominating Committees of the Company. Mr. Brinker was the founder of S & A Restaurant Corp. (which was acquired by The Pillsbury Company in June 1976), the developer and operator of Steak and Ale Restaurants and Bennigan's Taverns, 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 Haggard Apparel Company.

F. Lane Cardwell, Jr., 42, was elected Executive Vice President - Strategic Development in June 1992, having formerly held the position of Senior Vice President - Strategic Development since December 1990. Mr. Cardwell joined the Company as Vice President - Strategic Development in August 1988, having been previously employed by S & A Restaurant Corp. from November 1978 to August 1988, during which time he served as Vice President - Strategic Planning and Senior Vice President - Strategic Planning. Mr. Cardwell has served as a member of the Board of Directors of the Company since September 1991 and is a member of the Executive Committee of the Company.

Creed L. Ford, III, 41, joined the Company's predecessor in September 1976 as an Assistant Manager and was promoted to the position of Restaurant General Manager in March 1977. In September 1978, Mr. Ford became Director of Operations of the Company. He was elected Vice President - Operations of the Company in October 1983, Senior Vice President - Operations in November 1984, and Executive Vice President - Operations in April 1986. Mr. Ford has served as a member of the Board of Directors of the Company since April 1985 and is a member of the Executive Committee of the Company.

Ronald A. McDougall, 52, was elected President and Chief Operating Officer of the Company in April 1986 having formerly held the office of Executive Vice President - Marketing and Strategic Development of the Company since September 1983. During the period January 27, 1993 to May 4, 1993, Mr. McDougall served as Chairman and CEO. Mr. McDougall is a member of the Executive and Nominating Committees of the Company. From March 1974 through June 1982, Mr. McDougall was employed by S & A Restaurant Corp. in several management positions, including Senior Vice President of Marketing and Strategic Development and a director. During the last six months of 1982, he was Executive Vice President of 1330 Corporation, a publishing firm. From January 1983 to July 1983, he held the position of Vice President - Marketing of Burger King Corporation. Mr. McDougall has served as a member of the Board of Directors of the Company since September 1983.

Debra L. Smithart, 40, joined the Company as Assistant Controller in June 1985. In February 1986 she was promoted to the position of Controller and served in this capacity until December 1988 when she was elected Vice President - Controller. In March 1991, Ms. Smithart was promoted to Vice President - Finance and held this position until September 1991 when she was promoted to Executive Vice President - Chief Financial Officer. Prior to joining the Company, Ms. Smithart worked in various financial/accounting capacities in the public accounting, oil & gas, real estate, and manufacturing industries. Ms. Smithart has served as a member of the Board of Directors of the Company since September 1991 and is a member of the Executive and Nominating Committees of the Company.

Roger F. Thomson, 45, 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. 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. Mr. Thomson has served as a member of the Board of Directors of the Company since September 1993.

Jack W. Evans, 72, is currently President of Jack Evans Investments, Inc. Mr. Evans is a member of the Nominating Committee and Compensation Committee of the Company and has served as a member of the Company's Board of Directors since September 1983. He served as Chairman, Chief Executive Officer and President of Cullum Companies, Inc., a retail food and drugstore chain from 1977 to 1990. He served as Mayor of the City of Dallas from May 1981 to May 1983. He is also a director of Texas Utilities Corporation,

Randall's-Tom Thumb, FirstBank, and Morning Star Group.

Rae F. Evans, 46, is currently Vice President, National Affairs of Hallmark Cards, Inc. and has held such position since February 1982. Ms. Evans is a member of the Nominating Committee and Audit Committee of the Company and has served as a member of the Board of Directors of the Company since January 1990. She is a member of the Business-Government Relations Council and is a past president of the organization. She is a member of the Executive Committee of the National Women's Economic Alliance, the Washington Federal City Council, National Women's Forum and the Catalyst Board of Advisors. Additionally, she is the founder of Women at the Top, a speakers bureau of Washington women and is an active guest speaker on government issues in Washington. Ms. Evans was recently appointed to the Board of Directors of Haggar Apparel Company.

J. M. Haggar, Jr., 69, was elected as Chairman of the Board of Directors of Haggar Apparel Company, a clothing manufacturer, in April 1991. He previously held the positions of President and Chief Executive Officer of Haggar Apparel Company from 1971 and 1985, respectively. He is also a director of ENSERCH Corporation. Mr. Haggar is a member of the Audit Committee of the Company and has served as a member of the Company's Board of Directors since April 1985.

J. Ira Harris, 56, is a Senior Partner with Lazard Freres & Co., an investment banking firm, having held such position since joining the firm in January 1988. Mr. Harris has served as a member of the Board of Directors of the Company since September 1993 and is a member of the Compensation Committee of the Company. He was previously a General Partner of Salomon Brothers and served as a member of its Executive Committee from 1978 to 1983. He also served as a Director of Phibro-Salomon. Mr. Harris serves as a Director for various entities including Manpower, Inc. and Caremark International, Inc. He is also Trustee of Northwestern University.

Frederick S. Humphries, 58, 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 11 years. Dr. Humphries serves as Chairman of the State Board of Education Advisory Committee on the Education of Blacks in Florida and is 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. He is also a member of the Board of Directors of Barnett Bank and Wal-Mart, Inc.

Ray L. Hunt, 51, is currently Chief Executive Officer and Chairman of the Board of Directors of Hunt Oil Company, having held such positions since 1975. He is also President and Chairman of the Board of Directors of Hunt Consolidated, Inc. and RRH Corporation. Mr. Hunt serves as a director of Dresser Industries, Inc. Mr. Hunt has served as a member of the Board of Directors of the Company since December 1983 and is a member of the Compensation Committee and the Nominating Committee of the Company.

James E. Oesterreicher, 53, is the President of JCPenney Stores and Catalog, having been elected to this position in 1992. Mr. Oesterreicher has been with J.C. Penney Company, Inc. since 1964 where he started as a management trainee. He serves as a Director for various entities, including Presbyterian Hospital of Plano, Circle Ten Council, Boy Scouts of America, and National 4-H Council. He also serves as an advisory board member for the Center for Retailing, Education and Research at the University of Florida.

William F. Regas, 65, co-founded, in 1982, Grady's, Inc. ("Grady's"), a Tennessee corporation and a wholly-owned subsidiary of the Company, and served as its Chairman of the Board from 1982 to 1989. Mr. Regas is currently Co-Chairman of Grady's Board of Directors. Mr. Regas has been active in the National Restaurant Association, having served as its President from 1980 to 1981. Mr. Regas has served as Chairman of the Board of Directors of Regas Brothers, Inc. since 1952, and is also a general partner of Regas Real Estate Company. He serves as a member of the Audit Committee of the Company and has served on the Company's Board of Directors since October 1989.

Roger T. Staubach, 52, 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, Nominating 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, Gibson Greetings, Inc., First USA, Inc., Life Partners Group and Columbus Realty Trust and is active in numerous civic, charity and professional organizations.

Executive Officers of the Company

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

Douglas H. Brooks, 41, 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 and Chili's Concept President in June 1994. Prior to joining the Company, Mr. Brooks helped manage the first two Luther's Barbecue units.

Richard L. Federico, 40, joined the Company as Director of Operations for Grady's in February 1989. Upon the Company's acquisition of Romano's Macaroni Grill in November 1989, Mr. Federico became the Concept Head of this new restaurant group. He was promoted to Vice President-Romano's Macaroni Grill Operations in December 1990 and in June 1992 was promoted to Concept Head and Senior Vice President-Macaroni Grill Operations. In February 1994, Mr. Federico assumed responsibility for the operations of Spageddies Italian Kitchen and was promoted to his current position as Senior Vice President and Italian Concept President in June 1994. Prior to joining the Company, Mr. Federico worked in various management capacities with S&A Restaurant Corp. and Houston's Restaurants and was a co-founder of Grady's Goodtimes, predecessor to Grady's American Grill.

John C. Miller, 39, joined the Company as Vice President-Special Concepts in September 1987. In October 1988, he was elected Vice President-Joint Venture/Franchise and served in this capacity until August 1993 when he was promoted to Senior Vice President-New Concept Development. In May 1994, Mr. Miller assumed responsibility for the operations of On The Border Cafes and was promoted to his current position as Senior Vice President-Mexican Concepts in September 1994. Mr. Miller worked in various capacities with the Taco Bueno Division of Unigate Restaurants prior to joining the Company.

Arthur J. DeAngelis, 40, has worked with the Company through one of its franchise groups as a manager and later as an area director since 1984. In 1991, Mr. DeAngelis joined the Company under the Grady's American Grill concept and in June 1991 was promoted to Vice President-Operations. Mr. DeAngelis was promoted to his recent position of Senior Vice President-Grady's American Grill Concept Head in June 1994. Mr. DeAngelis began his restaurant career with S&A Restaurant Corp. in 1976 prior to joining the Company.

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 (along with Ms. Smithart, comprised of Messrs. Brinker, McDougall, Ford, Cardwell and Staubach) 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 Ms. Evans and Messrs. Haggard and Regas and the Committee met once 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. Evans, Hunt, Harris and Staubach and it met three (3) 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 are set forth below under "Report of the Compensation Committee."

The purpose of the Nominating Committee, created in September 1993, 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 met once during the fiscal year and is composed of Messrs. Brinker, Evans, Hunt, McDougall and Staubach and Ms. Smithart and Ms. Evans.

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. Hunt and Regas comprise Class 2 and will be considered Retiring Directors as of the annual meeting of shareholders following the end of the 1995 fiscal year. Mr. Haggar comprises Class 3 and will be considered a Retiring Director as of the annual meeting of shareholders following the end of the 1996 fiscal year. Messrs. Harris and Staubach comprise Class 4 and will be considered Retiring Directors as of the annual meeting of shareholders following the end of the 1997 fiscal year. Messrs. Evans, Humphries, and Oesterreicher and Ms. 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.

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 (unless such committee meeting is held in conjunction with a meeting of the Board of Directors, in which event compensation for attending the committee meeting will be \$750). 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. Each such director receives 2,000 stock options annually. If the shareholders of the Company approve the amendment described under "Amendment of Stock Option Plans-1991 Stock Option Plan for Non-Employee Directors and Consultants", new directors who are not employees of the Company will have the option at the beginning of each Director term to receive as additional compensation for serving on the Board of Directors either cash consideration of \$30,000 per year during the term such non-employee serves as a director or a one-time grant of 12,000 stock options under the Company's 1991 Stock Option Plan for Non-Employee Directors and Consultants. If the director is appointed to the Board of Directors at any time other than at an annual meeting of shareholders, such director will make such election at the meeting of the Board of Directors held contemporaneous with the next annual meeting of shareholders and 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 the director elects to receive cash, the first payment will be made at such Board of Directors meeting and the following payments will be made on the date of each annual meeting of shareholders thereafter. If the director elects to receive stock options, they 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). The stock options will be granted at the fair market value on the date of grant. One-third of the options will vest on each of the second, third and fourth anniversaries of the date of grant.

Current directors who are not employees of the Company are also eligible for additional compensation under this compensation program. Commencing with the meeting of the Board of Directors to be held November 3, 1994, each of the current non-employee directors will have the one-time option to receive as additional compensation for serving on the Board of Directors either \$30,000 cash consideration per year during the term such non-employee serves as director or a one-time grant of stock options. The number of stock options received and the vesting period for such options will be prorated as set forth below. The election of a current director to accept the additional compensation in cash or in stock options will be made at such Board of Directors meeting. If the director elects to receive cash, the first payment will be made at such Board of Directors meeting and the following payments will be made on the date of each annual meeting of shareholders thereafter. If a current director elects to receive stock options, they will be granted as

of January 3, 1995. The stock options will be granted at the fair market value on the date of grant.

For purposes of applying this new compensation program to the current non-employee directors of the Company, if any of Messrs. Evans, Humphries, and Oesterreicher or Ms. Evans elect to receive stock options, such director will be granted 12,000 options on January 3, 1995, and one-third of the options will be fully vested on each of January 3, 1997, 1998, and 1999. If either Messrs. Harris or Staubach elect to receive stock options, such director will be granted 9,000 stock options on January 3, 1995, and one-third of the options will be fully vested on each of January 3, 1996, 1997, and 1998. If Mr. Hagggar elects to receive stock options, he will be granted 6,000 stock options on January 3, 1995, and one-half of the options will be fully vested on each of January 3, 1996 and 1997. If either of Messrs. Hunt or Regas elect to receive stock options, he will be granted 3,000 stock options on January 3, 1995, and the options will be fully vested on January 3, 1996.

If a Retiring Director is renominated to serve on the Board of Directors for an additional four-year period, such Retiring Director will be treated as a new director for purposes of determining compensation during such additional four-year period.

During the year ended June 29, 1994, the Board of Directors held six meetings; all incumbent directors were present at all of the meetings with the exception of Mr. Hunt who was unable to attend two meetings.

EXECUTIVE COMPENSATION

Summary Compensation Table

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 \$100,000.00 in fiscal 1994.

Name and Principal Position	Year	Salary	Profit Sharing	Other(1)	Long-Term Incentive Payouts	Total Compensation	Stock Options Awarded(2)
Norman E. Brinker Chairman of the Board and Chief Executive Officer	1994	\$659,135	\$706,592	\$26,439	\$93,940	\$1,486,106	202,500
	1993	\$573,708	\$753,887	\$10,933	\$93,940	\$1,432,468	225,000
	1992	\$523,792	\$360,308	\$ 0	\$75,164	\$ 959,264	168,750
Ronald A. McDougall President and Chief Operating Officer	1994	\$529,327	\$567,439	\$22,547	\$93,940	\$1,213,253	202,500
	1993	\$444,538	\$585,842	\$ 5,972	\$93,940	\$1,130,292	225,000
	1992	\$406,115	\$283,009	\$ 500	\$75,164	\$ 764,788	135,000
Creed L. Ford, III Executive Vice President -- Operations	1994	\$343,942	\$275,154	\$ 7,305	\$68,889	\$ 695,290	56,250
	1993	\$306,692	\$309,847	\$ 6,082	\$68,889	\$ 691,510	67,500
	1992	\$290,146	\$169,406	\$ 500	\$50,109	\$ 510,161	67,500
Debra L. Smithart Executive Vice President -- Chief Financial Officer	1994	\$232,500	\$186,000	\$ 5,471	\$50,101	\$ 474,072	56,250
	1993	\$183,309	\$186,640	\$ 500	\$31,313	\$ 401,762	67,500
	1992	\$134,208	\$ 30,935	\$ 500	\$25,055	\$ 190,698	45,000
Douglas H. Brooks Senior Vice President-Chili's Grill & Bar Operations	1994	\$232,884	\$135,772	\$12,582	\$43,839	\$ 425,077	45,000
	1993	\$206,231	\$174,199	\$ 2,746	\$43,839	\$ 427,015	38,250
	1992	\$184,280	\$ 75,598	\$ 500	\$37,582	\$ 297,960	38,250

(1) Other compensation represents Company match on deferred compensation, club memberships and dues, tax preparation services and relocation benefits.

(2) Stock options awarded have been restated to reflect the March 1994 stock split effected in the form of a 50% stock dividend.

Option Grants During 1994 Fiscal Year

The following table contains certain information concerning the grant of stock options 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	
					5%	10%
Norman E. Brinker	15,000	13.75%	\$26.833	02/04/2004	\$ 253,127	\$ 641,473
	187,500		\$20.375	06/28/2004	\$2,402,574	\$6,088,594
	202,500				\$2,655,701	\$6,730,067
Ronald A. McDougall	15,000	13.75%	\$26.833	02/04/2004	\$ 253,127	\$ 641,473
	187,500		\$20.375	06/28/2004	\$2,402,574	\$6,088,594
	202,500				\$2,655,701	\$6,730,067
Creed L. Ford, III	11,250	3.82%	\$26.833	02/04/2004	\$ 189,845	\$ 481,105
	45,000		\$20.375	06/28/2004	\$ 576,618	\$1,461,263
	56,250				\$ 766,463	\$1,942,368
Debra L. Smithart	11,250	3.82%	\$26.833	02/04/2004	\$ 189,845	\$ 481,105
	45,000		\$20.375	06/28/2004	\$ 576,618	\$1,461,263
	56,250				\$ 766,463	\$1,942,368
Douglas H. Brooks	7,500	3.06%	\$26.833	02/04/2004	\$ 126,563	\$ 320,737
	37,500		\$20.375	06/28/2004	\$ 480,515	\$1,217,719
	45,000				\$ 607,078	\$1,538,456

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 \$21.00 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		Value of Unexercised In-the-Money Options at Fiscal Year End	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Norman E. Brinker	0	\$ 0	421,875	511,875	\$ 4,364,635	\$1,036,060
Ronald A. McDougall	150,938	3,312,804	195,000	495,000	1,724,191	927,301
Creed L. Ford, III	225,000	5,806,595	738,144	157,500	11,420,035	358,167
Debra L. Smithart	9,000	191,731	48,938	146,250	442,278	285,661
Douglas H. Brooks	35,972	990,919	337,953	102,375	5,228,379	210,462

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
Norman E. Brinker	900	\$60,000	\$90,000	*
Ronald A. McDougall	900	\$60,000	\$90,000	*
Creed L. Ford, III	600	\$40,000	\$60,000	*
Debra L. Smithart	600	\$40,000	\$60,000	*
Douglas H. Brooks	400	\$26,667	\$40,000	*

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

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.

Beneficial Ownership

Name and Address	Number of Shares	Percent
Provident Investment Counsel 300 North Lake Avenue Pasadena, California 91101	4,577,115 (1)	6.39%
IDS Financial Corporation IDS Tower 10 Minneapolis, Minnesota 55440	4,137,950 (2)	5.78%

(1) As of September 8, 1994. Based on information contained in Schedule 13G dated as of December 31, 1993, as supplemented by subsequent communication.

(2) As of August 31, 1994. Based on information contained in Schedule 13G dated as of December 31, 1993, as supplemented by subsequent communication.

SECURITY OWNERSHIP OF MANAGEMENT AND ELECTION OF DIRECTORS

Fifteen (15) 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. Proxy holders will not be able to vote the proxies held by them for more than 15 persons. 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 the persons nominated for election as directors of the Company:

Name	Number of Shares of Common Stock Beneficially Owned as as of September 9, 1994(1)	Percent of Class
Norman E. Brinker	1,562,134 (2)	2.18%
Douglas H. Brooks	337,975	*
F. Lane Cardwell, Jr.	79,772	*
Creed L. Ford, III	755,354	1.06%
Ronald A. McDougall	195,022	*
Debra L. Smithart	50,460	*
Roger F. Thomson	1,000	*
Jack W. Evans, Sr.	71,717	*
Rae F. Evans	1,585	*
J.M. Hagggar, Jr.	130,645	*
J. Ira Harris	2,000 (3)	*
Frederick S. Humphries	-0-	-0-
Ray L. Hunt	33,750	*
James E. Oesterreicher	-0-	-0-
William F. Regas	109,287 (4)	*
Roger T. Staubach	1,500	*

All executive officers

and directors as a
group (19 persons)

3,528,510

4.93%

* Less than one percent (1%)

(1) Includes shares of Common Stock which may be acquired by exercise of exercisable options granted 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.

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

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

(4) Includes 4,658 shares of Common Stock held of record by a family trust of which Mr. Regas 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 guideline requires that each Senior Vice President own an amount of Common Stock equal in value to such officer's base salary, each Executive Vice President own an amount of Common Stock equal in value to twice such officer's base salary, the President own an amount of Common Stock equal in value to three times his base salary, and the Chief Executive Officer own an amount of Common Stock equal in value to four times his base salary. The guideline also encourages all other officers of the Company to similarly acquire Common Stock in the Company. It is expected that phase-in of the guideline will begin by the end of 1994, for those senior officers who do not currently meet the minimum stock ownership levels as established by the guideline.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S FISCAL 1994 CONSOLIDATED FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.

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	JUN-29-1994	
	JUN-29-1994	3,614
		45,239
		12,573
		(239)
		8,152
	47,223	595,046
	(160,858)	
	558,709	
103,416		1,200
		7,103
	0	0
		410,187
558,709		870,718
	878,473	239,835
		544,008
	(1,323)	
		85
	430	
	95,438	
	33,832	
61,606		0
	0	0
		0
	61,606	
		.83
		.83