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

FORM 10-K

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

For the fiscal year ended June 29, 2016 **Commission File No. 1-10275**

BRINKER INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	**75-1914582**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
6820 LBJ Freeway, Dallas, Texas	**75240**
(Address of principal executive offices)	**(Zip Code)**

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

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

Title of Each Class	Name of each exchange on which registered
Common Stock, $0.10 par value	**New York Stock Exchange**

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

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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 o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) 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. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	x	Accelerated filer o
Non-accelerated filer (Do not check if a smaller reporting company)	o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. $2,523,573,296.

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 August 15, 2016
Common Stock, $0.10 par value	54,924,317 shares

DOCUMENTS INCORPORATED BY REFERENCE

We have incorporated portions of our Annual Report to Shareholders for the fiscal year ended June 29, 2016 into Part II hereof, to the extent indicated herein. We have also incorporated by reference portions of our Proxy Statement for our annual meeting of shareholders on November 16, 2016, to be dated on or about September 28, 2016, into Part III hereof, to the extent indicated herein.

PART I

Item 1 BUSINESS.

General

References to "Brinker," the "Company," "we," "us," and "our" in this Form 10-K are references to Brinker International, Inc. and its subsidiaries and any predecessor companies of Brinker International, Inc.

We own, develop, operate and franchise the Chili's® Grill & Bar ("Chili's") and Maggiano's Little Italy® ("Maggiano's") restaurant brands. 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, which was organized in August 1977. We completed the acquisition of Maggiano's in August 1995.

Restaurant Brands

Chili's Grill & Bar

Chili's, a recognized leader in the Bar & Grill category of casual dining, has been operating restaurants for over 40 years. Chili's also enjoys a global presence with locations in 31 countries and two U.S. territories around the world. Whether domestic or international, company-owned or franchised, Chili's and its more than 100,000 team members are dedicated to delivering fresh, high-quality food with a unique point of view, as well as dining experiences that make people feel special. Chili's menu features Fresh Mex and Fresh Tex favorites including signature items such as slow-smoked baby back ribs, craft burgers, fajitas, and our famous bottomless chips & salsa paired with tableside guacamole. This year, Chili's expanded upon its Fresh Tex and Fresh Mex menu platforms by introducing items like sizzling steaks and burritos. The all-day menu offers guests a generous selection of appetizers, entrees and desserts at affordable prices. Weekday lunch combos are also available enabling guests to pick their favorite lunch portion at an affordable price. Chili's also offers a full selection of alcoholic beverages, but is known for its signature margaritas and new craft beer offerings. For guests seeking convenience, Chili's To Go menu is available to order online, through the brand's mobile app or by calling the restaurant. Convenience is also available for the in-restaurant guests with our tabletop devices allowing guests to order and re-order items, pay-at-the-table and enjoy entertainment offerings.

During the year ended June 29, 2016, at our company-owned restaurants, entrée selections ranged in menu price from $6.00 to $18.99. The average revenue per meal, including alcoholic beverages, was approximately $14.78 per person. During this same year, food and non-alcoholic beverage sales constituted approximately 85.9% of Chili's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 14.1%. Our average annual sales volume per Chili's restaurant during this same year was $3.0 million.

Maggiano's Little Italy

Maggiano's is a full-service, national, casual dining Italian restaurant brand with a passion for making people feel special. The exterior of each Maggiano's restaurant varies to reflect local architecture; however, the interior of all locations transport our guests back to a classic Italian-American restaurant in the style of New York's Little Italy in the 1940s. Our Maggiano's restaurants feature individual and family-style menus, and most of our restaurants also have extensive banquet facilities designed to host large party business or social events. We have a full lunch and dinner menu offering chef-prepared, classic Italian-American fare in the form of appetizers, entrées with bountiful portions of pasta, chicken, seafood, veal and prime steaks, and desserts. Our Maggiano's restaurants also offer a full range of alcoholic beverages, including a selection of Handcrafted Classic Cocktails and premium wines. In addition, Maggiano's offers a full carryout menu as well as local delivery services.

During the year ended June 29, 2016, entrée selections ranged in menu price from $13.95 to $42.50. The average revenue per meal, including alcoholic beverages, was approximately $27.00 per person. During this same year, food and non-alcoholic beverage sales constituted approximately 84.0% of Maggiano's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 16.0%. Sales from events at our banquet facilities made up 18.3% of Maggiano's total restaurant revenues for the year. Our average annual sales volume per Maggiano's restaurant during this same year was $8.4 million.

Business Strategy

We are committed to strategies and initiatives that we believe are centered on growing long-term sales, increasing profits, enhancing the guest experience and engaging team members. These strategies are intended to differentiate our brands from the competition, reduce the costs associated with managing our restaurants and establish a strong presence for our brands in key markets around the world.

Growing sales and guest traffic continues to be a challenge because of increased competition, heavy discounting in the restaurant industry and recent economic pressures in certain oil producing states. U.S. economic growth has been steady, but wage growth has been slow. This wage pressure has challenged both casual dining restaurant operators and consumers because discretionary income available for restaurant visits has been limited. In response to these economic factors, we have developed both short and long-term strategies that we believe are appropriate for all operating conditions and that will provide a solid foundation for earnings growth going forward.

We have completed a number of significant initiatives in recent years which we believe will help us drive profitable sales and guest traffic growth and improve the guest experience in our restaurants. Investments in restaurant reimages, new kitchen equipment and operations software have improved the relevance of our brands and the efficiency of our restaurants. We believe that these initiatives have positively impacted the guest perception of our restaurants in both the dining room and bar areas and provide us with a great foundation for continued success.

We have also differentiated the Chili's brand by leveraging technology initiatives to create a digital guest experience that we believe will help us engage our guests more effectively and drive guest traffic. All domestic Chili's restaurants, with the exception of airport and college locations, are now outfitted with tabletop devices, which gives us the largest network of tabletop devices in the country. The Ziosk® branded tabletop device is a multi-functional device which provides ordering, guest survey and pay-at-the-table capabilities; loyalty program functionality; and entertainment. We also plan to leverage our tabletop devices to enable our partnership with Plenti®, a consumer rewards program including a coalition of major national brands. We believe the integration of the My Chili's Rewards program with Plenti will allow us to drive sales and profits. We are also investing in a new online ordering system that expands our current capabilities and gives our guests greater control of their experience. We plan to launch the Plenti and online ordering platforms in the first half of fiscal 2017. We have also launched Nowait®, a new application which allows our hosts to provide more accurate wait times when a guest arrives during peak shifts and to send them a text when their table is ready. Guests can also add themselves to the wait list via the Chili's mobile app, which we believe will reduce wait times spent in our restaurants. The application also enables our hosts to optimize available seating to increase the efficiency of our restaurants.

We continually evaluate our menu at Chili's to improve quality, freshness and value by introducing new items and improving existing favorites. Our Fresh Mex platform has been successful and includes Fresh Mex bowls, mix and match fajitas, and tableside guacamole. We leveraged this success by launching our Top-Shelf Taco category, including pork carnitas, ranchero chicken and prime rib tacos. Our Texas-themed Fresh Tex platform features ribs, steaks and burgers, and our traditional burger menu now features craft burgers with fresh potato buns and house made garlic pickles.

We refreshed our value proposition to drive sales and guest traffic in the fourth quarter with a limited time offer for a baby back rib entrée featuring new rib flavors, fries and a dessert at a $10.99 price point. We have also enhanced our value proposition in the first quarter of fiscal 2017 with a limited time offer for a classic burger, salad and dessert for just $10.00. We are also promoting happy hour offerings with margaritas and a new line of craft beers featuring regional and national favorites. We continually seek opportunities to reinforce value and create interest for the Chili's brand with new and varied offerings to further enhance sales and drive incremental traffic. We are committed to offering a compelling everyday menu that provides items our guests prefer at a solid value.

We expect that improvements at Chili's will have the most significant impact on our business; however, our results will also benefit through additional contributions from Maggiano's and our global business. Maggiano's opened two restaurants this year, one of which is a new prototype with a flexible dining area that may be used for banquets or opened up for general seating. This new prototype allows the brand to enter new markets for which the prior model was not suited, but still accommodate smaller banquets. Maggiano's is committed to delivering high quality food and a dining experience in line with our brand heritage. We will continue to strengthen the brand's business model with kitchen efficiency and inventory controls that we believe will continue to enhance profitability.

At the beginning of fiscal 2016, we capitalized on an opportunity to further expand our domestic business by acquiring a franchisee which owned 103 Chili's restaurants primarily located in the Northeast and Southeast United States. We believe this acquisition fits well within our capital allocation strategy and has enabled us to grow our sales and profits in fiscal 2016. Our global Chili's business continues to grow with locations in 31 countries and two U.S. territories. Our international franchisees opened 36 new restaurants this year. We continue to work with domestic and international franchisees to grow our franchise operations, which we believe will increase earnings through increased royalties and franchise fees.

Company Development

Over the past fiscal year we continued the expansion of our restaurant brands domestically through a select number of new company-owned restaurants in strategically desirable markets. We concentrate on the development of certain identified markets to achieve the necessary levels to improve our competitive position, marketing potential, profitability and return on invested capital. Our domestic expansion efforts focus not only on major metropolitan areas in the United States but also on smaller market areas and non-traditional locations (such as airports and universities) that can adequately support our restaurant brands. For smaller market areas, we have developed a newer smaller prototype building that allows us to expand into these markets and serve our guests while maintaining a focus on profitability and return on invested capital.

The restaurant site selection process is critical, and we devote significant effort to the investigation of new locations utilizing a variety of sophisticated analytical techniques. Our process evaluates a variety of factors, including: trade area demographics, such as target population density and household income levels; physical site characteristics, such as visibility, accessibility and traffic volume; relative proximity to activity centers, such as shopping centers, hotel and entertainment complexes and office buildings; and supply and demand trends, such as proposed infrastructure improvements, new developments and existing and potential competition. Members of each brand's executive team inspect, review and approve each restaurant site prior to its lease or acquisition for that brand.

The specific rate at which we are able to open new restaurants is determined, in part, by our success in locating satisfactory sites, negotiating acceptable lease or purchase terms, securing appropriate local governmental permits and approvals, and by our capacity to supervise construction and recruit and train management and hourly team members.

The following table illustrates the system-wide restaurants opened in fiscal 2016 and the planned openings in fiscal 2017:

	Fiscal 2016 Openings(1)	Fiscal 2017 Projected Openings
Chili's:		
Company-owned	12	5-6
Franchise(2)	7	5-8
Maggiano's		
Company-owned	2	2
International:		
Company-owned(3)	-	1
Franchise(3)	36	35-40
Total	57	48-57

(1) The numbers in this column are the total of new restaurant openings during fiscal 2016.
(2) The numbers on this line for fiscal 2017 are projected domestic franchise openings.
(3) The numbers on this line are for Chili's.

We periodically re-evaluate company-owned restaurant sites to ensure attributes have not deteriorated below our minimum standards. In the event site deterioration occurs, each brand makes a concerted effort to improve the restaurant's performance by providing physical, operating and marketing enhancements unique to each restaurant's situation. If efforts to restore the restaurant's performance to acceptable minimum standards are unsuccessful, the brand considers relocation to a proximate, more desirable site, or evaluates closing the restaurant if the brand's measurement criteria, such as return on investment and area demographic trends, do not support relocation. We closed seven company-owned restaurants in fiscal 2016. We perform a comprehensive analysis that examines restaurants not performing at a required rate of return. These closed restaurants were generally performing below our standards or were near or at the expiration of their lease terms. If local market conditions warrant, we also opportunistically evaluate company-owned restaurants to determine if relocation to a proximate, more desirable site will strengthen our presence in those trade areas or markets. We relocated two company-owned restaurants in fiscal 2016. Our strategic plan is targeted to

support our long-term growth objectives, with a focus on continued development of those restaurant locations that have the greatest return potential for the Company and our shareholders.

Franchise Development

In addition to our development of company-owned restaurants, our restaurant brands will maintain expansion through our franchisees and joint venture partners.

As part of our strategy to expand through our franchisees, excluding our acquisition of a domestic franchisee's restaurants at the beginning of fiscal 2016, our franchise operations (domestically and internationally) increased in fiscal 2016. The following table illustrates the percentages of franchise operations as of June 29, 2016 for the Company and by restaurant brand, respectively:

	Percentage of Franchise Operated Restaurants		
	Domestic(1)	**International(2)**	**Overall(3)**
Brinker	25%	96%	40%
Chili's	26%	96%	41%
Maggiano's	—%	—%	—%

(1) The percentages in this column are based on number of domestic franchised restaurants versus total domestic restaurants.
(2) The percentages in this column are based on number of international franchised restaurants versus total international restaurants.
(3) The percentages in this column are based on the total number of franchised restaurants (domestic and international) versus total system-wide number of restaurants.

International

We continue our international growth through development agreements with new and existing franchisees and joint venture partners, introducing Chili's to new countries and expanding the brand within our existing markets. As of June 29, 2016, we had 24 total development arrangements. During fiscal year 2016, our international franchisees and joint venture partners opened 36 Chili's restaurants. We entered into new development agreements with new and existing franchisees for development in Bangladesh, Bolivia, Chile, India, Indonesia, Mexico, Panama, Saudi Arabia, Sri Lanka and United Arab Emirates.

As we develop Chili's internationally, we will selectively pursue expansion through various means, including franchising, joint ventures and acquisitions. Our international agreements provide the vehicle for payment of development fees and franchise fees in addition to subsequent royalty fees based on the gross sales of each restaurant. We expect future agreements to remain limited to enterprises who demonstrate a proven track record as a restaurant operator and showcase financial strength that can support a multi-unit development agreement, as well as, in some instances, multi-brand operations.

Domestic

We remain committed to also growing our number of domestic franchised restaurants. We are accomplishing this through existing, new or renewed development and franchise obligations with new or existing franchisees. In addition, we have from time to time also sold and may sell company-owned restaurants to our franchisees (new or existing). As of June 29, 2016, three domestic development arrangements existed. Similar to our international agreements, a typical domestic agreement provides for payment of development and initial franchise fees in addition to subsequent royalty and advertising fees based on the gross sales of each restaurant. We expect future domestic agreements to remain limited to enterprises having significant experience as restaurant operators and proven financial ability to support and develop multi-unit operations.

During the year ended June 29, 2016, our domestic franchisees opened seven Chili's restaurants.

Restaurant Management

Our Chili's and Maggiano's brands have separate designated teams who support each brand, including operations, finance, franchise, marketing, peopleworks and culinary. We believe these strategic, brand-focused teams foster the identities of the individual and uniquely positioned brands. To maximize efficiencies, brands continue to utilize common and shared infrastructure, including, among other services, accounting, information technology, purchasing, legal and restaurant development.

At the restaurant level, management structure varies by brand. A typical restaurant is led by a management team including a general manager, two to six additional managers, and for Maggiano's, an additional three to four chefs. The level of restaurant supervision depends upon the operating complexity and sales volume of individual locations.

We believe there is a high correlation between the quality of restaurant management and the long-term success of a brand. In that regard, we encourage increased experience at all management positions through various short and long-term incentive programs, which may include equity ownership. These programs, coupled with a general management philosophy emphasizing quality of life, have enabled us to attract and retain key team members, and enjoy turnover of managers and team members that is below industry averages.

We ensure consistent quality standards in all brands through the issuance of operations manuals covering all elements of operations and food and beverage manuals, which provide guidance for preparation of brand-formulated recipes. Routine visitation to the restaurants by all levels of supervision enforces strict adherence to our overall brand standards and operating procedures. Each brand is responsible for maintaining their operational training program. Depending on the brand, the training program typically includes a training period of two-to-three months for restaurant management trainees, as well as special training for high-potential managers. We also provide recurring management training for managers and supervisors to improve effectiveness or prepare them for more responsibility.

Supply Chain

Our ability to maintain consistent quality and continuity of supply throughout each restaurant brand depends upon acquiring products from reliable sources. Our approved suppliers and our restaurants are required to adhere to strict product and safety specifications established through our quality assurance and culinary programs. These requirements ensure high quality products are served in each of our restaurants. We strategically negotiate directly with major suppliers to obtain competitive prices. We also use purchase commitment contracts when appropriate to stabilize the potentially volatile pricing associated with certain commodity items. All essential products are available from pre-qualified distributors to be delivered to our restaurant brands. Additionally, as a purchaser of a variety of food products, we require our suppliers to adhere to our supplier code of conduct, which sets forth our expectation on business integrity, food safety and food ingredients, animal welfare and sustainability. Due to the relatively rapid turnover of perishable food products, inventories in the restaurants, which consist primarily of food, beverages and supplies, have a modest aggregate dollar value in relation to revenues. Internationally, our franchisees and joint venture operations may encounter cultural and regulatory differences resulting in variances with product specifications for international restaurant locations.

Advertising and Marketing

Our brands generally target the 18 to 59 year-old age group. It is our belief that these consumers value the benefits of the casual dining category for multiple meal occasions. Brinker has launched several brand initiatives aimed at making both brands more relevant for today's evolving consumer. In doing so, we focus on the largest opportunity segment "Switchers", who are heavy users of casual dining, but are not loyal to any one brand. We engage with our target groups through a mix of national television, digital advertising, database and direct marketing, and social media, with each of our restaurant brands utilizing one or more of these mediums to meet our communication strategies and budget.

Our franchise agreements generally require advertising contributions to us by the franchisees. We use these contributions, in conjunction with company funds, for the purpose of retaining advertising agencies, obtaining consumer insights, developing and producing brand-specific creative materials and purchasing national or regional media to meet the brand’s strategy. Some franchisees also spend additional amounts on local advertising. Any such local advertising must first be approved by us.

Team Members

As of June 29, 2016, we employed approximately 58,335 team members, of which 617 were restaurant support center personnel in Dallas, and 4,531 were restaurant regional and area directors, managers, or trainees. The remaining 53,187 were employed in non-management restaurant positions. Our executive officers have an average of 21 years of experience in the restaurant industry.

We have a positive team member relations outlook and continue to focus on improving our team member turnover rate. We have a variety of tools and strong resources in place to help us recruit and retain the best talent to work in our restaurants.

The majority of our team members, outside of restaurant management and restaurant support center personnel, are paid on an hourly basis. We stand firm in the belief that we provide competitive working conditions and wages favorable with other companies in our industry. Our team members are not covered by any collective bargaining agreements.

Trademarks

We have registered or have pending, among other marks, “Brinker International”, “Chili’s”, “Chili’s Bar & Bites”, “Chili's Express”, “Chili’s Margarita Bar”, “Chili’s Southwest Grill & Bar”, “Chili’s Too”, “Maggiano’s”, and “Maggiano’s Little Italy”, as trademarks with the United States Patent and Trademark Office.

Available Information

We maintain an internet website with the address of http://www.brinker.com. You may obtain, free of charge, at our website, copies of our reports filed with, or furnished to, the Securities and Exchange Commission (the "SEC") on Forms 10-K, 10-Q and 8-K. Any amendments to such reports are also available for viewing and copying at our internet website. These reports will be available as soon as reasonably practicable after filing such material with, or furnishing it to, the SEC. You may also view and copy such reports at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet website, the address of which is www.sec.gov, which contains reports, proxy and information statements, and other information regarding issues which file electronically with the SEC. In addition, you may view and obtain, free of charge, at our website, copies of our corporate governance materials, including, Corporate Governance Guidelines, Audit Committee Charter, Compensation Committee Charter, Governance and Nominating Committee Charter, Code of Conduct and Ethical Business Policy, and Problem Resolution Procedure/Whistle Blower Policy. The information contained on our website is not a part of this Annual Report on Form 10-K.

Item 1A. RISK FACTORS.

We wish to caution you that our business and operations are subject to a number of risks and uncertainties, and investing in our securities involves a degree of risk. The factors listed below are important because they could cause actual results to differ materially from our historical results and from those projected in forward-looking statements contained in this report, in our other filings with the SEC, in our news releases, written or electronic communications, and verbal statements by our representatives. In any such event, the trading price of our securities could decline and you could lose all or part of your investment.

You should be aware that forward-looking statements involve risks and uncertainties. These risks and uncertainties may cause our or our industry's actual results, performance or achievements to be materially different from any future results, performances or achievements contained in or implied by these forward-looking statements. Forward-looking statements are generally accompanied by words like "believes," "anticipates," "estimates," "predicts," "expects," and other similar expressions that convey uncertainty about future events or outcomes. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Competition may adversely affect our operations and financial results.

The restaurant business is highly competitive as to price, service, restaurant location, nutritional and dietary trends and food quality, and is often affected by changes in consumer tastes, economic conditions, population and traffic patterns. We compete 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 ours. The U.S. total employment market is growing, and there is active competition for quality management personnel and hourly team members. The casual dining segment has not seen any significant growth in customer traffic in recent years. If this trend continues, our ability to grow customer traffic at our restaurants will depend on our ability to increase our market share within the casual dining segment. We continue to face competition as a result of several factors, including quick service and fast casual restaurants also offering high quality food and beverage choices and the convergence in grocery, deli and restaurant services. We compete primarily on the quality, variety and value perception of menu items, as well as the quality and efficiency of service, the attractiveness of facilities and the effectiveness of advertising and marketing programs.

Our restaurants also face competition from the introduction of new products and menu items by competitors, as well as substantial price discounting among other offers, and are likely to continue to face such future competition in light of the slow paced economic growth. Although we may implement a number of business strategies, the success of new products, initiatives and overall strategies is highly difficult to predict and will be influenced by competitive product offerings, pricing and promotions offered by competitors. Our ability to differentiate our brands from their competitors, which is in part limited by the advertising spend available to us and by consumer perception, cannot be assured. These factors could reduce the gross sales or profitability at our restaurants, which would decrease revenues or profitability generated by company-owned restaurants and royalty payments from franchisees.

Changes in consumer preferences may decrease demand for food at our restaurants.

Changing health or dietary preferences may cause consumers to avoid our products in favor of alternative foods. The foodservice industry as a whole rests on consumer preferences and demographic trends at the local, regional, national and international levels, including the impact on consumer eating habits of new information regarding diet, nutrition, health and health insurance. We and our franchisees depend on the sustained demand for our products, which may be affected by factors outside of our control. Changes in nutritional or health insurance guidelines issued by federal or local government agencies, issuance of similar guidelines or statistical information by other federal, state or local municipalities, academic studies, or advocacy organizations, among other things, may impact consumer choice and cause consumers to select foods other than those that are offered by our restaurants. We may not be able to adequately adapt our menu offerings to keep pace with developments in current consumer preferences, which may result in reductions to the revenues generated by our company-owned restaurants and the royalty and other payments we receive from franchisees.

Food safety incidents at our restaurants or in our industry or supply chain may adversely affect customer perception of our brands or industry and result in declines in sales and profits.

Regardless of the source or cause, any report of food-borne illnesses or other food safety issues at one of our restaurants or our franchisees' restaurants could irreparably damage our brand reputations and result in declines in customer traffic and sales at our restaurants. A food safety incident may subject us to regulatory actions and litigation, including criminal investigations, and we may be required to incur significant legal costs and other liabilities. Food safety incidents may occur in our supply chain and be out of our control. Health concerns or outbreaks of disease in a food product could also reduce demand for particular menu offerings. Even instances of food-borne illness, food tampering or food contamination occurring solely at restaurants of our competitors could result in negative publicity about the restaurant industry generally and adversely affect our sales or cause us to incur additional costs to implement food safety protocols beyond industry standards. The occurrence of food-borne illnesses or food safety issues could also adversely affect the price and availability of affected ingredients, resulting in higher costs and lower margins.

Global and domestic economic conditions may negatively impact consumer discretionary spending and could have a materially negative affect on our financial performance.

The restaurant industry is dependent upon consumer discretionary spending, which may be negatively affected by global and domestic economic conditions, such as: slow or negative growth, unemployment, credit conditions and availability, volatility in financial markets, inflationary pressures, weakness in the housing market, and changes in government and central bank monetary policies. If economic conditions negatively affect consumer incomes, then discretionary spending for restaurant visits will be challenged and our business, results of operations and ability to comply with the covenants under our credit facility could be materially affected. Deterioration in guest traffic or a reduction in the average amount guests spend in our restaurants will negatively impact our revenues. These conditions will also result in lower royalties collected, spreading fixed costs across a lower level of sales, and in turn, cause downward pressure on our profitability. In turn, the impact of these pressures could result in reductions in staff levels, asset impairment charges and potential restaurant closures. There is no assurance that any governmental plan to restore fiscal responsibility or future plans to stimulate the economy will foster growth in consumer confidence, stabilize the financial markets, increase liquidity and the availability of credit, or result in lower unemployment.

Disruptions in the global financial markets may affect our business plan by adversely impacting the availability and cost of credit.

We are dependent on a stable, liquid, and well-functioning financial system to fund our operations and capital investments. In particular, we have historically relied on the public debt markets and bank credit facilities to fund portions of our capital investments and share repurchase program. Our continued access to these markets depends on multiple factors, including the condition of debt capital markets. Disruptions to the global financial markets may adversely impact the availability and cost of credit. There can be no assurance that various U.S. and world government responses to disruptions in the financial markets will stabilize the markets or increase liquidity or the availability of credit.

A decrease in our credit ratings may increase our cost of credit.

A decrease in our credit ratings could adversely impact our cost of credit, financial flexibility and other terms for debt issuances. We recently announced plans to increase our leverage in the range of $250 to $300 million in the near term. As a result, one credit rating agency has downgraded our credit rating to non-investment grade, and the Company has been placed on review

for downgrade at the other credit rating agencies. We do not expect these downgrades to impact our ability to execute our recapitalization plan.

The large number of Company-owned restaurants concentrated in Texas, Florida and California makes us susceptible to changes in economic and other trends in those regions.

A high concentration of our company-owned restaurants are located in Texas, Florida and California. As a result, we are particularly susceptible to adverse trends and economic conditions in those states. For example, declining oil prices has caused increased levels of unemployment and other economic pressures that have resulted in lower sales and profits at our restaurants in some oil market regions of Texas and surrounding areas. Negative publicity, local strikes, energy shortages or extreme fluctuations in energy prices, droughts, earthquakes, fires or other natural disasters in regions where our restaurants are highly concentrated could have a material adverse effect on our business and operations.

Governmental regulation may adversely affect our ability to maintain our existing and future operations and to open new restaurants.

We are subject to the Fair Labor Standards Act (which governs such matters as minimum wages, overtime and other working conditions), along with the Americans with Disabilities Act, the Immigration Reform and Control Act of 1986, various family leave mandates and a variety of other laws enacted, or rules and regulations promulgated by federal, state and local governmental authorities that govern these and other employment matters, including, tip credits, working conditions, safety standards and immigration status. We have experienced and continue to expect adjustments in payroll expenses as a result of federal and state mandated increases in the minimum wage. Enactment and enforcement of various federal, state and local laws, rules and regulations on immigration and labor organizations may adversely impact the availability and costs of labor for our restaurants in a particular area or across the United States. In addition, our suppliers may be affected by higher minimum wage standards or availability of labor, which may increase the price of goods and services they supply to us. We continue to review the Affordable Care Act and regulations issued related to the law to evaluate the potential impact of this law on our business, and to accommodate various parts of the law as they take effect. There are no assurances that a combination of cost management and price increases can accommodate all of the costs associated with compliance.

We are subject to laws and regulations, which vary from jurisdiction to jurisdiction, relating to nutritional content and menu labeling. Compliance with these laws and regulations may lead to increased costs and operational complexity, changes in sales mix and profitability, and increased exposure to governmental investigations or litigation. We do not expect to incur material costs from compliance with the provision of the Affordable Care Act requiring disclosure of calories on the menus, but cannot reliably anticipate any changes in guest behavior resulting from implementation of this portion of the law, which could have adverse effects on our sales or results of operations.

Each of our company-owned and our franchisees' restaurants is also subject to licensing and regulation by alcoholic beverage control, health, sanitation, safety, building code and fire agencies in the state, county and/or municipality where the restaurant is located. We generally have not encountered any material difficulties or failures in obtaining and maintaining the required licenses, permits and approvals that could impact the continuing operations of an existing restaurant, or delay or prevent the opening of a new restaurant. Although we do not anticipate any material difficulties occurring in the future, we cannot be certain that we, or our franchisees, will not experience material difficulties or failures that could impact the continuing operations of an existing restaurant, or delay the opening of restaurants in the future.

We are also subject to federal and state environmental regulations, and although these have not had a material negative effect on our operations, we cannot ensure this will not occur in the future. In particular, the U.S. and other foreign governments have increased focus on environmental matters such as climate change, greenhouse gases and water conservation. This may lead to new initiatives directed at regulating an unspecified array of environmental matters. These efforts could result in increased taxation or in future restrictions on or increases in costs associated with food and other restaurant supplies, transportation costs and utility costs, any of which could decrease our operating profits and/or necessitate future investments in our restaurant facilities and equipment to achieve compliance. Further, more stringent and varied requirements of local and state governmental bodies with respect to zoning, land use and environmental factors could delay, prevent or make cost prohibitive the continuing operations of an existing restaurant or the development of new restaurants in particular locations.

We are subject to federal and state laws and regulations which govern the offer and sale of franchises and which may supersede the terms of franchise agreements between us and our franchisees. Failure to comply with such laws and regulations or to obtain or retain licenses or approvals to sell franchises could adversely affect us and our franchisees ability to develop new franchise locations.

Due to our international franchising, we are also subject to governmental regulations throughout the world impacting the way we do business with our international franchisees and joint venture partners. These include antitrust and tax requirements,

anti-boycott regulations, import/export/customs and other international trade regulations, the USA Patriot Act and the Foreign Corrupt Practices Act. Failure to comply with any such legal requirements could subject us to monetary liabilities and other sanctions, which could adversely impact our business and financial performance.

The impact of current laws and regulations, the effect of future changes in laws or regulations that impose additional requirements and the consequences of litigation relating to current or future laws and regulations, or our inability to respond effectively to significant regulatory or public policy issues, could increase our compliance and other costs of doing business and therefore have an adverse affect on our results of operations. Failure to comply with the laws and regulatory requirements of federal, state and local authorities could result in, among other things, revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability. Compliance with these laws and regulations can be costly and can increase our exposure to litigation or governmental investigations or proceedings.

Shortages or interruptions in the availability and delivery of food and other products may increase costs or reduce revenues.

Possible shortages or interruptions in the supply of food items and other products to our restaurants caused by inclement weather, natural disasters such as floods, drought and hurricanes; the inability of our suppliers to obtain credit in a tight credit market; food safety warnings or advisories or the prospect of such pronouncements; animal disease outbreaks (such as the avian flu outbreak in the Midwest U.S. in 2015); or other conditions beyond our control, could adversely affect the availability, quality and cost of items we buy and the operations of our restaurants. Our inability to effectively manage supply chain risk could increase our costs and limit the availability of products critical to our restaurant operations.

Inflation may increase our operating expenses.

We have experienced impact from inflation. Inflation has caused added food, labor and benefits costs and increased our operating expenses. As operating expenses rise, we, to the extent permitted by competition, recover costs by raising menu prices, or by reviewing, then implementing, alternative products or processes, or other cost reduction procedures. We cannot ensure, however, we will be able to continue to recover increases in operating expenses due to inflation in this manner.

Successful strategic transactions are important to our future growth and profitability.

We evaluate potential franchisees of new and existing restaurants and joint venture investments, as well as mergers, acquisitions and divestitures, as part of our strategic planning initiative. These transactions involve various inherent risks, including accurately assessing:

- the value, future growth potential, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisitions, franchise and joint venture partner candidates;
- our ability to achieve projected economic and operating synergies; and
- unanticipated changes in business and economic conditions affecting an acquired business or the completion of a divestiture.

We acquired Pepper Dining Holding Corp., a franchisee with 103 Chili's restaurants in the Northeast and Southeast U.S. on June 25, 2015. These acquired restaurants have lower annual average sales volumes and different margin structures than our company-owned Chili's restaurants. We have integrated the acquired restaurants into our Chili's operations structure and are rolling out processes to improve sales and margins. We are also reimaging these restaurants and leveraging technology investments in the restaurants. There is no assurance that these initiatives will achieve the sales growth and margin improvements for which we have planned, and would not adversely impact our profitability in the future if not met.

If we are unable to successfully design and execute a business strategy plan, our gross sales and profitability may be adversely affected.

Our ability to grow gross sales and increase profitability is dependent on designing and executing effective business strategies. If we are delayed or unsuccessful in executing our strategies, or if our strategies do not yield the desired results, our business, financial condition and results of operations may suffer. Our ability to meet our business strategy plan is dependent upon, among other things, our and our franchisees’ ability to:

- grow gross sales and increase operating profits at existing restaurants with food and beverage options and high quality service desired by our guests through successful implementation of strategic initiatives;
- evolve our marketing and branding strategies in order to appeal to customers, including the success of our integration of our My Chili’s Rewards program with the Plenti rewards program;
- innovate and implement technology initiatives that provide a unique digital guest experience;
- identify adequate sources of capital to fund and finance strategic initiatives, including reinvestment in our existing restaurants, new restaurant development and new equipment;

- grow and expand operations, including identifying available, suitable and economically viable locations for new restaurants; and
- hire, train and retain qualified managers and team members for existing and new restaurants.

Loss of key management personnel could hurt our business and limit our ability to operate and grow successfully.

Our success depends, to a significant extent, on our leadership team and other key management personnel. These personnel serve to maintain a corporate vision for our Company, execute our business strategy, and maintain consistency in the operating standards of our restaurants. If we are unable to attract and retain sufficiently experienced and capable management personnel, our business and financial results may suffer.

Slow economic growth or a recession could have a material adverse impact on our landlords or other tenants in retail centers in which we or our franchisees are located, which in turn could negatively affect our financial results.

During slow economic growth or a recession, our landlords may be unable to obtain financing or remain in good standing under their existing financing arrangements, resulting in failures to pay required construction contributions or satisfy other lease covenants to us. In addition, other tenants at retail centers in which we or our franchisees are located or have executed leases, may fail to open or may cease operations. If our landlords fail to satisfy required co-tenancies, this may result in us or our franchisees terminating leases or delaying openings in these locations. Also, decreases in total tenant occupancy in retail centers in which we are located may affect guest traffic at our restaurants. All of these factors could have a material adverse impact on our financial results.

The success of our franchisees is important to our future growth.

We have a significant percentage of system-wide restaurants owned and operated by our Chili's franchisees. While our franchise agreements are designed to require our franchisees to maintain brand consistency, the franchise relationship reduces our direct day-to-day oversight of these restaurants and may expose us to risks not otherwise encountered if we maintained ownership and control. These risks include franchisee defaults in their obligations to us arising from financial or other difficulties encountered by them, such as payments to us or maintenance and improvements obligations; limitations on enforcement of franchise obligations due to bankruptcy or insolvency proceedings; inability to participate in business strategy changes due to financial constraints; inability to meet rent obligations on leases on which we retain contingent liability; and failure to comply with food quality and preparation requirements subjecting us to litigation even when we are not legally liable for a franchisee’s actions or failure to act.

Additionally our international franchisees and joint venture partners are subject to risks not encountered by our domestic franchisees. These risks include:

- difficulties in achieving consistency of product quality and service as compared to U.S. operations;
- changes to recipes and menu offerings to meet cultural norms;
- challenges to obtain adequate and reliable supplies necessary to provide menu items and maintain food quality; and
- differences, changes or uncertainties in economic, regulatory, legal, cultural, social and political conditions.

Our sales volumes generally decrease in winter months in North America.

Our sales volumes fluctuate seasonally and are generally higher in the summer months and lower in the winter months, which may cause seasonal fluctuations in our operating results.

Unfavorable publicity relating to one or more of our company-owned or franchised restaurants in a particular brand may taint public perception of the brand.

Multi-unit restaurant businesses can be adversely affected by publicity resulting from poor food quality, illness or health concerns or operating issues stemming from one or a limited number of restaurants, including franchised restaurants. In particular, since we depend heavily on the Chili’s brand for a majority of our revenues, unfavorable publicity relating to one or more Chili’s restaurants could have a material adverse effect on the Chili’s brand, and consequently on our business, financial condition and results of operations. The speed at which negative publicity (whether or not accurate) can be disseminated has increased dramatically with the capabilities of electronic communication. If we are unable to quickly and effectively respond to such reports, we may suffer declines in guest traffic which could materially impact our financial performance.

Our inability or failure to recognize, respond to and effectively manage the accelerated impact of social media could materially adversely impact our business.

There has been a marked increase in the use of social media platforms and similar devices which allow individuals access to a broad audience of consumers and other interested persons. Many social media platforms immediately publish the content

their subscribers and participants can post, often without filters or checks on accuracy of the content posted. Information posted on such platforms at any time may be adverse to our interests or may be inaccurate, each of which may harm our performance, prospects, or business. The harm may be immediate without affording us an opportunity for redress or correction. The dissemination of information online could harm our business, prospects, financial condition, and results of operations, regardless of the information's accuracy.

Many of our competitors are expanding their use of social media and new social medial platforms are rapidly being developed, potentially making more traditional social media platforms obsolete. As a result, we need to continuously innovate and develop our social media strategies in order to maintain broad appeal with guests and brand relevance. As part of our marketing efforts, we rely on search engine marketing and social media platforms to attract and retain guests. We have initiated a multi-year effort to implement new technology platforms that will allow us to digitally engage with our guests and employees and strengthen our marketing and analytics capabilities in this increasingly connected society. The initiatives may not be successful, resulting in expenses incurred without the benefit of higher revenues, increased employee engagement or brand recognition. In addition, a variety of risks are associated with the use of social media, including the improper disclosure of proprietary information, negative comments about us, exposure of personally identifiable information, fraud, or out-of-date information. The inappropriate use of social media vehicles by our guests or employees could increase our costs, lead to litigation or result in negative publicity that could damage our reputation.

Litigation could have a material adverse impact on our business and our financial performance.

We are subject to lawsuits, administrative proceedings and claims that arise in the regular course of business. These matters typically involve claims by guests, team members and others regarding issues such as foodborne illness, food safety, premises liability, compliance with wage and hour requirements, work-related injuries, discrimination, harassment, disability and other operational issues common to the foodservice industry, as well as contract disputes and intellectual property infringement matters. Our franchise activity also creates a risk of us being named as a joint employer of workers of franchisees for alleged violations of labor and wage laws. We could be adversely affected by negative publicity and litigation costs resulting from these claims, regardless of their validity. Significant legal fees and costs in complex class action litigation or an adverse judgment or settlement that is not insured or is in excess of insurance coverage could have a material adverse effect on our financial position and results of operations.

We are dependent on information technology and any material failure in the operation or security of that technology or our ability to execute a comprehensive business continuity plan could impair our ability to efficiently operate our business.

We rely on information systems across our operations, including, for example, point-of-sale processing in our restaurants, management of our supply chain, collection of cash, payment of obligations and various other processes and procedures. Our ability to efficiently manage our business depends significantly on the reliability and capacity of these systems. The failure of these systems to operate effectively, problems with maintenance, upgrading or transitioning to replacement systems, or a breach in security of these systems could cause delays in customer service and reduce efficiency in our operations. A security breach or cyber attack could include theft of credit card data or other personal information as well as our intellectual property. Significant capital investments might be required to remediate any problems.

Additionally, our corporate systems and processes and corporate support for our restaurant operations are handled primarily at our restaurant support center. We have disaster recovery procedures and business continuity plans in place to address most events of a crisis nature, including tornadoes and other natural disasters, and back up and off-site locations for recovery of electronic and other forms of data and information. However, if we are unable to fully implement our disaster recovery plans, we may experience delays in recovery of data, inability to perform vital corporate functions, tardiness in required reporting and compliance, failures to adequately support field operations and other breakdowns in normal communication and operating procedures that could have a material adverse effect on our financial condition, results of operation and exposure to administrative and other legal claims.

Failure to protect the integrity and security of individually identifiable data of our guests and teammates and confidential and proprietary information of the company could damage our reputation and expose us to loss of revenues and litigation.

We receive and maintain certain personal information about our guests and team members in our information technology systems, such as point-of-sale, web and mobile platforms, including our rewards program. Additionally our systems contain proprietary and confidential information related to our business. Use of this information is regulated at the federal and state levels, as well as by certain third party contracts. If our or our business associates' information systems are compromised as a result of a cyber attack or other external or internal method, or we fail to comply with applicable laws and regulations, it could result in a violation of the laws and regulations, and an adverse and material impact on our reputation, operations, results of operations and financial condition. Such security breaches could also result in litigation or governmental investigation against us or the imposition

of penalties. These impacts could also occur if we are perceived either to have had an attack, failure or to have failed to properly respond to an incident. Like many other retail companies, we experience frequent attempts to compromise our systems, but none have resulted in a material breach. As privacy and information security laws and regulations change or cyber risks evolve pertaining to data, we may incur additional costs in technology, third party services and personnel to remain in compliance and maintain systems designed to anticipate and prevent cyber attacks. Our security frameworks are designed to prevent breaches of our systems and data loss, but these measures cannot provide assurance that we will be successful in preventing such breaches or data loss.

Failure to protect our service marks or other intellectual property could harm our business.

We regard our Chili's® and Maggiano's Little Italy® service marks, and other service marks and trademarks related to our restaurant businesses, as having significant value and being important to our marketing efforts. We rely on a combination of protections provided by contracts, copyrights, patents, trademarks, service marks and other common law rights, such as trade secret and unfair competition laws, to protect our restaurants and services from infringement. We have registered certain trademarks and service marks in the United States and foreign jurisdictions. However, we are aware of names and marks identical or similar to our service marks being used from time to time by other persons. Although our policy is to oppose any such infringement, further or unknown unauthorized uses or other misappropriation of our trademarks or service marks could diminish the value of our brands and adversely affect our business. In addition, effective intellectual property protection may not be available in every country in which we have or intend to open or franchise a restaurant. Although we believe we have taken appropriate measures to protect our intellectual property, there can be no assurance that these protections will be adequate, and defending or enforcing our service marks and other intellectual property could result in the expenditure of significant resources.

We outsource certain business processes to third-party vendors that subject us to risks, including disruptions in business and increased costs.

Some business processes are currently outsourced to third parties. Such processes include certain information technology processes, gift card tracking and authorization, credit card authorization and processing, insurance claims processing, certain payroll processing, tax filings and other accounting processes. We also continue to evaluate our other business processes to determine if additional outsourcing is a viable option to accomplish our goals. We make a diligent effort to ensure that all providers of outsourced services are observing proper internal control practices, such as redundant processing facilities and adequate security frameworks to guard against breaches or data loss; however, there are no guarantees that failures will not occur. Failure of third parties to provide adequate services could have an adverse effect on our results of operations, financial condition or ability to accomplish our financial and management reporting.

Declines in the market price of our common stock or changes in other circumstances that may indicate an impairment of goodwill could adversely affect our financial position and results of operations.

We perform our annual goodwill impairment test in the second quarter of each fiscal year. Interim goodwill impairment tests are also required when events or circumstances change between annual tests that would more likely than not reduce the fair value of our reporting units below their carrying values. It is possible that a change in circumstances such as the decline in the market price of our common stock or changes in consumer spending levels, or in the numerous variables associated with the judgments, assumptions and estimates made in assessing the appropriate valuation of our goodwill, could negatively impact the valuation of our brands and create the potential for a non-cash charge to recognize impairment losses on some or all of our goodwill. If we were required to write down a portion of our goodwill and record related non-cash impairment charges, our financial position and results of operations would be adversely affected.

Changes to estimates related to our property and equipment, or operating results that are lower than our current estimates at certain restaurant locations, may cause us to incur impairment charges on certain long-lived assets.

We make certain estimates and projections with regards to individual restaurant operations, as well as our overall performance in connection with our impairment analyses for long-lived assets. An impairment charge is required when the carrying value of the asset exceeds the estimated fair value. The projection of future cash flows used in this analysis requires the use of judgment and a number of estimates and projections of future operating results. If actual results differ from our estimates, additional charges for asset impairments may be required in the future. If impairment charges are significant, our financial position and results of operations could be adversely affected.

Identification of material weakness in internal control over financial reporting may adversely affect our financial results.

We are subject to the ongoing internal control provisions of Section 404 of the Sarbanes-Oxley Act of 2002. Those provisions provide for the identification of material weaknesses in internal control over financial reporting. If such a material weakness is identified, it could indicate a lack of adequate controls to generate accurate financial statements. We routinely assess our internal control over financial reporting, but we cannot assure you that we will be able to timely remediate any material weaknesses that may be identified in future periods, or maintain all of the controls necessary for continued compliance. Likewise, we cannot assure you that we will be able to retain sufficient skilled finance and accounting team members, especially in light of the increased demand for such individuals among publicly traded companies.

We may not be able to achieve our target for growth in total return to shareholders.

We define our total returns as earnings per share plus our dividend yield. Comparable restaurant sales that are below our target, slowing growth of our concepts domestically, a decline in growth of our international business, any event that substantially increases our operating costs or any event that decreases our cash flow and ability to repurchase our stock or pay dividends as expected could negatively affect our stock price, result in lower than targeted EPS growth and reduce total returns to shareholders.

Other risk factors may adversely affect our financial performance.

Other risk factors that could cause our actual results to differ materially from those indicated in the forward-looking statements by affecting, among many things, pricing, consumer spending, consumer confidence, and operating costs, include, without limitation, changes in financial and credit markets (including rising interest rates); increases in costs of food commodities; increases in fuel costs and availability for our team members, customers and suppliers; increases in utility and energy costs on regional or national levels; increases in health care costs; health epidemics or pandemics or the prospects of these events; changes in consumer behaviors; changes in demographic trends; labor shortages and availability of employees; union organization; strikes; terrorist acts; energy shortages and rolling blackouts; and weather (including, major hurricanes and regional winter storms) and other acts of God.

Item 1B. UNRESOLVED STAFF COMMENTS.

None.

Item 2. PROPERTIES.

Restaurant Locations

At June 29, 2016, our system of company-owned and franchised restaurants included 1,660 restaurants located in 49 states and Washington, D.C. We also have restaurants in the U.S. territories of Guam and Puerto Rico and the countries of Bahrain, Canada, Colombia, Costa Rica, Dominican Republic, Ecuador, Egypt, El Salvador, Germany, Guatemala, Honduras, India, Indonesia, Japan, Jordan, Kuwait, Lebanon, Malaysia, Mexico, Morocco, Oman, Peru, Philippines, Qatar, Saudi Arabia, Singapore, South Korea, Taiwan, Tunisia, United Arab Emirates and Venezuela. We have provided you a breakdown of our portfolio of restaurants in the two tables below:

Table 1: Company-owned vs. franchise (by brand) as of June 29, 2016:

Chili's	
Company-owned (domestic)	937
Company-owned (international)	13
Franchise	659
Maggiano's	
Company-owned	51
Total	1,660

Table 2: Domestic vs. foreign locations (by brand) as of June 29, 2016 (company-owned and franchised):

	Domestic (No. of States)	Foreign (No. of countries and U.S. territories)
Chili's	1,259(49)	350(33)
Maggiano's	51(21 & D.C.)	—

Restaurant Property Information

The following table illustrates the approximate dining capacity for a prototypical restaurant of each of our brands:

	Chili's	Maggiano's
Square Feet	4,500-6,000	8,500 - 24,000
Dining Seats	150-252	240-700
Dining Tables	35-54	35-150

At June 29, 2016, we owned the land and building for 190 of our 1,001 company-owned restaurant locations (domestic and international). For these 190 restaurant locations, the net book value for the land was $142 million and for the buildings was $106 million. For the remaining 811 restaurant locations leased by us, the net book value of the buildings and leasehold improvements was $564 million. The 811 leased restaurant locations can be categorized as follows: 665 are ground leases (where we lease land only, but own the building) and 146 are retail leases (where we lease the land/retail space and building). We believe that our properties are suitable, adequate, well-maintained and sufficient for the operations contemplated. Some of our leased restaurants are leased for an initial lease term of five to 30 years, with renewal terms of one to 30 years. The leases typically provide for a fixed rental or a fixed rental plus percentage rentals based on sales volume.

Other Properties

We own an office building containing approximately 108,000 square feet which we use for part of our corporate headquarters and menu development activities. We lease an additional office complex containing approximately 198,000 square feet for the remainder of our corporate headquarters which is currently utilized by us, reserved for future expansion of our headquarters, or sublet to a third party.

Item 3. LEGAL PROCEEDINGS.

Evaluating contingencies related to litigation is a complex process involving subjective judgment on the potential outcome of future events and the ultimate resolution of litigated claims may differ from our current analysis. Accordingly, we review the adequacy of accruals and disclosures pertaining to litigated matters each quarter in consultation with legal counsel and we assess the probability and range of possible losses associated with contingencies for potential accrual in the consolidated financial statements.

We are engaged in various other legal proceedings and have certain unresolved claims pending. Reserves have been established based on our best estimates of our potential liability in certain of these matters. We are of the opinion that there are no matters pending or threatened which are likely to have a material adverse effect, individually or in the aggregate, on our consolidated financial condition or results of operations.

Item 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "EAT". Bid prices quoted represent inter-dealer 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, 2016:

	High	Low
First Quarter	$ 59.90	$ 52.50
Second Quarter	$ 52.67	$ 43.42
Third Quarter	$ 51.12	$ 45.68
Fourth Quarter	$ 47.68	$ 43.83

Fiscal year ended June 24, 2015:

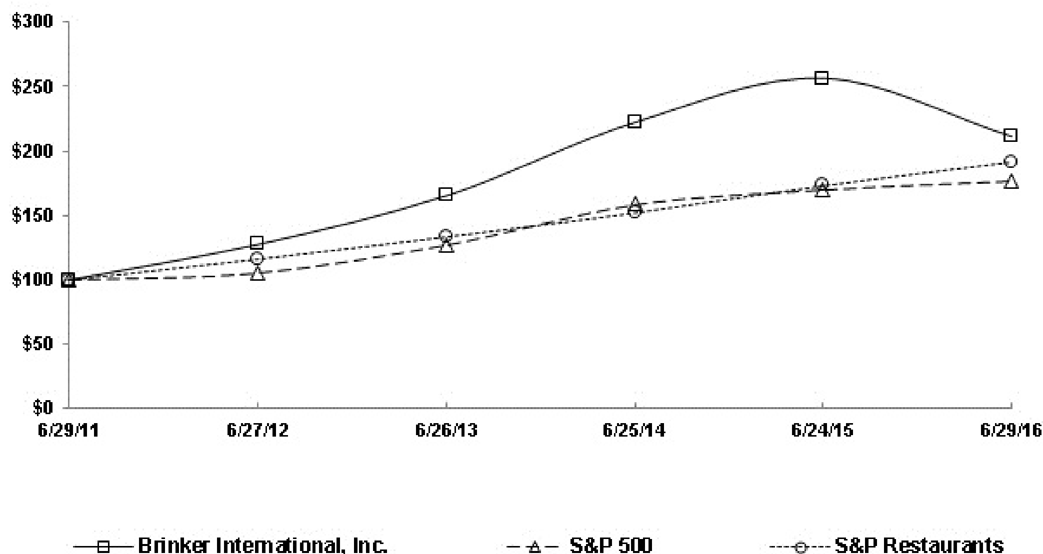
	High	Low
First Quarter	$ 51.77	$ 44.16
Second Quarter	$ 58.93	$ 49.55
Third Quarter	$ 63.12	$ 57.43
Fourth Quarter	$ 61.82	$ 54.04

As of August 15, 2016, there were 500 holders of record of our common stock.

During the fiscal year ended June 29, 2016, we continued to declare quarterly cash dividends for our shareholders. We have set forth the dividends declared for the fiscal year in the following table on the specified dates:

Dividend Per Share of Common Stock	Declaration Date	Record Date	Payment Date
$0.32	August 20, 2015	September 4, 2015	September 24, 2015
$0.32	October 29, 2015	December 4, 2015	December 24, 2015
$0.32	February 2, 2016	March 4, 2016	March 24, 2016
$0.32	May 19, 2016	June 10, 2016	June 30, 2016

The graph below matches Brinker International, Inc.'s cumulative 5-Year total shareholder return on common stock with the cumulative total returns of the S&P 500 index and the S&P Restaurants index.



The graph assumes a $100 initial investment and the reinvestment of dividends in our stock and each of the indexes on June 29, 2011 and its relative performance is tracked through June 29, 2016. The values shown are neither indicative nor determinative of future performance.

	2011	2012	2013	2014	2015	2016
Brinker International	$ 100.00	$ 127.45	$ 165.26	$ 222.22	$ 256.47	$ 211.28
S&P 500	$ 100.00	$ 105.45	$ 127.17	$ 158.46	$ 170.22	$ 177.02
S&P Restaurants(1)	$ 100.00	$ 116.10	$ 133.44	$ 152.12	$ 173.27	$ 191.57

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(1) The S&P Restaurants Index is comprised of Chipotle Mexican Grill, Inc., Darden Restaurants, Inc., McDonald’s Corp., Starbucks Corporation and Yum! Brands, Inc.

In May 2013, the Company issued $250.0 million in the aggregate principal amount at maturity of 2.600% Notes due 2018 (the "2018 Notes") and $300.0 million in the aggregate principal amount at maturity of 3.875% Notes due 2023 (the "2023 Notes", and together with the 2018 Notes, the "Notes"). J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated served as the joint book-running managers for the offering. The Notes were issued in a public offering pursuant to a registration statement on Form S-3, File No. 333-188252, and are freely tradeable. The Notes are redeemable at the Company's option at any time, in whole or in part. The proceeds of the offering were used for general corporate purposes, including the redemption of the 5.75% notes due June 2014, pay down of the revolver and the repurchase of the Company's common stock pursuant to its share repurchase program.

During the three-year period ended on August 15, 2016, we issued no securities which were not registered under the Securities Act of 1933, as amended.

We continue to maintain our share repurchase program; on August 10, 2016, our Board of Directors authorized an additional $150 million in share repurchases, bringing the total authorization to $4.3 billion. During the fourth quarter, we repurchased shares as follows (in thousands, except share and per share amounts):

	Total Number of Shares Purchased(a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value that May Yet be Purchased Under the Program(b)
March 24, 2016 through April 27, 2016	67,299	$ 44.56	67,299	$ 348,563
April 28, 2018 through May 25, 2016	1,047	$ 45.86	—	$ 348,563
May 26, 2016 through June 29, 2016	344,546	$ 45.55	342,397	$ 332,961
Total	412,892	$ 45.39	409,696	

(a) These amounts include shares purchased as part of our publicly announced programs and shares owned and tendered by team members to satisfy tax withholding obligations on the vesting of restricted share awards, which are not deducted from shares available to be purchased under publicly announced programs. Unless otherwise indicated, shares owned and tendered by team members to satisfy tax withholding obligations were purchased at the average of the high and low prices of the Company's shares on the date of vesting. During the fourth quarter of fiscal 2016, 3,196 shares were tendered by team members at an average price of $45.71.

(b) The final amount shown is as of June 29, 2016.

Item 6. SELECTED FINANCIAL DATA.

The information set forth in that section entitled "Selected Financial Data" in our 2016 Annual Report to Shareholders is presented on page F-1 of Exhibit 13 to this document. We incorporate that information in this document by reference.

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

The information set forth in that section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2016 Annual Report to Shareholders is presented on pages F-2 through F-13 of Exhibit 13 to this document. We incorporate that information in this document by reference.

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

The information set forth in that section entitled "Quantitative and Qualitative Disclosures About Market Risk" contained within "Management's Discussion and Analysis of Financial Condition and Results of Operations" is in our 2016 Annual Report to Shareholders presented on page F-13 of Exhibit 13 to this document. We incorporate that information in this document by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

We refer you to the Index to Financial Statements attached hereto on page 22 for a listing of all financial statements in our 2016 Annual Report to Shareholders. This report is attached as part of Exhibit 13 to this document. We incorporate those financial statements in this document by reference.

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

None.

Item 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934 [the "Exchange Act"]), as of the end of the period covered by this Annual Report on Form 10-K, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

"Management's Report on Internal Control over Financial Reporting" and the attestation report of the independent registered public accounting firm of KPMG LLP on internal control over financial reporting are in our 2016 Annual Report to Shareholders and are presented on pages F-38 through F-39 of Exhibit 13 to this document. We incorporate our report in this document by reference.

Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during our fourth quarter ended June 29, 2016, that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION.

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

If you would like information about:

- our executive officers,
- our Board of Directors, including its committees, and
- our Section 16(a) reporting compliance,

you should read the sections entitled "Election of Directors—Information About Nominees", "Committees of the Board of Directors", "Executive Officers", and "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement to be dated on or about September 28, 2016, for the annual meeting of shareholders on November 16, 2016. We incorporate that information in this document by reference.

The Board of Directors has adopted a code of ethics that applies to all of the members of Board of Directors and all of our team members, including, the principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the code is posted on our internet website at the internet address: http://www.brinker.com/corp_gov/ethical_business_ policy.html. You may obtain free of charge copies of the code from our website at the above internet address. Any amendment of, or waiver from, our code of ethics will be posted on our website within four business days of such amendment or waiver. The information contained on our website is not a part of this Annual Report on Form 10-K.

Item 11. EXECUTIVE COMPENSATION.

If you would like information about our executive compensation, you should read the section entitled "Executive Compensation—Compensation Discussion and Analysis" in our Proxy Statement to be dated on or about September 28, 2016, for the annual meeting of shareholders on November 16, 2016. We incorporate that information in this document by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

If you would like information about our security ownership of certain beneficial owners and management and related stockholder matters, you should read the sections entitled "Director Compensation for Fiscal 2016 ", "Compensation Discussion and Analysis", and "Stock Ownership of Certain Persons" in our Proxy Statement to be dated on or about September 28, 2016, for the annual meeting of shareholders on November 16, 2016. We incorporate that information in this document by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

If you would like information about certain relationships and related transactions, you should read the section entitled “Compensation Committee Interlocks and Insider Participation” in our Proxy Statement to be dated on or about September 28, 2016, for the annual meeting of shareholders on November 16, 2016. We incorporate that information in this document by reference.

If you would like information about the independence of our non-management directors and the composition of the Audit Committee, Compensation Committee and Governance and Nominating Committee, you should read the sections entitled “Director Independence” and “Committees of the Board of Directors” in our Proxy Statement to be dated on or about September 28, 2016, for the annual meeting of shareholders on November 16, 2016. We incorporate that information in this document by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

If you would like information about principal accountant fees and services, you should read the section entitled “Ratification of Independent Auditors” in our Proxy Statement to be dated on or about September 28, 2016, for the annual meeting of shareholders on November 16, 2016. We incorporate that information in this document by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a)(1) Financial Statements.

We make reference to the Index to Financial Statements attached to this document on page 22 for a listing of all financial statements attached as Exhibit 13 to this document.

(a)(2) Financial Statement Schedules.

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

(a)(3) Exhibits.

We make reference to the Index to Exhibits preceding the exhibits attached hereto on page E-1 for a list of all exhibits filed as a part of this document.

SIGNATURES

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

BRINKER INTERNATIONAL, INC.,
a Delaware corporation

By: /S/ THOMAS J. EDWARDS, JR.
Thomas J. Edwards, Jr.,
Executive Vice President and Chief Financial Officer

Dated: August 29, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, we have signed in our indicated capacities on August 29, 2016.

Name	Title
/S/ WYMAN T. ROBERTS Wyman T. Roberts	President and Chief Executive Officer of Brinker International (Principal Executive Officer) and Director
/S/ THOMAS J. EDWARDS, JR. Thomas J. Edwards, Jr.	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/S/ JOSEPH M. DEPINTO Joseph M. DePinto	Chairman of the Board
/S/ ELAINE L. BOLTZ Elaine L. Boltz	Director
/S/ HARRIET EDELMAN Harriet Edelman	Director
/S/ MICHAEL A. GEORGE Michael A. George	Director
/S/ WILLIAM T. GILES William T. Giles	Director
/S/ GERARDO I. LOPEZ Gerardo I. Lopez	Director
/S/ JON L. LUTHER Jon L. Luther	Director
/S/ GEORGE R. MRKONIC George R. Mrkonic	Director
/S/ JOSE LUIS PRADO Jose Luis Prado	Director

INDEX TO FINANCIAL STATEMENTS

The following is a listing of the financial statements which are attached hereto as part of Exhibit 13.

	Page
Selected Financial Data	F-1
Management’s Discussion and Analysis of Financial Condition and Results of Operations	F-2
Consolidated Statements of Comprehensive Income—Fiscal Years Ended June 29, 2016, June 24, 2015 and June 25, 2014	F-14
Consolidated Balance Sheets— June 29, 2016 and June 24, 2015	F-15
Consolidated Statements of Shareholders’ (Deficit) Equity—Fiscal Years Ended June 29, 2016, June 24, 2015 and June 25, 2014	F-16
Consolidated Statements of Cash Flows—Fiscal Years Ended June 29, 2016, June 24, 2015 and June 25, 2014	F-17
Notes to Consolidated Financial Statements	F-18
Reports of Independent Registered Public Accounting Firm	F-37
Management’s Responsibility for Consolidated Financial Statements	F-39
Management’s Report on Internal Control over Financial Reporting	F-39

INDEX TO EXHIBITS

Exhibit	
3(a)	Certificate of Incorporation of the Registrant, as amended.(1)
3(b)	Bylaws of the Registrant.(2)
4(a)	Form of 2.600% Note due 2018.(3)
4(b)	Form of 3.875% Note due 2023.(3)
4(c)	Indenture between the Registrant and Wilmington Trust, National Association, as Trustee.(4)
4(d)	First Supplemental Indenture between Registrant and Wilmington Trust, National Association.(3)
4(e)	Second Supplemental Indenture between Registrant and Wilmington Trust, National Association.(3)
10(a)	Registrant's Stock Option and Incentive Plan.(5)
10(b)	Registrant's 1999 Stock Option and Incentive Plan for Non-Employee Directors and Consultants.(6)
10(c)	Registrant's Performance Share Plan Description.(7)
10(d)	Credit Agreement dated as of March 12, 2015, by and among Registrant, Brinker Restaurant Corporation, Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities, LLC, Regions Capital Markets, a Division of Regions Bank, Wells Fargo Securities, LLC, J.P. Morgan Chase Bank, N.A., Regions Bank, Compass Bank, Wells Fargo Bank, National Association, The Bank of Tokyo - Mitsubishi UFJ, Ltd., U.S. Bank National Association and Greenstone Farm Credit Services.(8)
10(e)	Registrant's 2017 Performance Share Plan Description.(9)
13	2016 Annual Report to Shareholders.(10)
21	Subsidiaries of the Registrant.(11)
23	Consent of Independent Registered Public Accounting Firm.(11)
31(a)	Certification by Wyman T. Roberts, President and Chief Executive Officer of the Registrant, pursuant to 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a).(11)
31(b)	Certification by Thomas J. Edwards,, Jr., Executive Vice President and Chief Financial Officer of the Registrant, pursuant to 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a).(11)
32(a)	Certification by Wyman T. Roberts, President and Chief Executive Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.(11)
32(b)	Certification by Thomas J. Edwards, Jr., Executive Vice President and Chief Financial Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.(11)
99(a)	Proxy Statement of Registrant.(12)
101+	Interactive Data File
+	As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

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(1) Filed as an exhibit to annual report on Form 10-K for year ended June 28, 1995 and incorporated herein by reference.
(2) Filed as an exhibit to quarterly report on Form 10-Q for quarter ended December 25, 2013 and incorporated herein by reference.
(3) Filed as an exhibit to current report on Form 8-K dated May 15, 2013 and incorporated herein by reference.
(4) Filed as an exhibit to registration statement on Form S-3 filed April 30, 2013, SEC File No. 333-188252, and incorporated herein by reference.
(5) Filed as an Appendix A to Proxy Statement of Registrant filed on September 17, 2013 and incorporated herein by reference.
(6) Filed as an exhibit to quarterly report on Form 10-Q for the quarter ended December 28, 2005 and incorporated herein by reference.
(7) Filed as an exhibit to quarterly report on Form 10-Q for the quarter ended March 29, 2006 and incorporated herein by reference.
(8) Filed as an exhibit to current report on Form 8-K dated March 12, 2015 and incorporated herein by reference.
(9) Filed as an exhibit to current report on Form 8-K dated August 18, 2016 and incorporated herein by reference.
(10) Portions filed herewith, to the extent indicated herein.
(11) Filed herewith.
(12) To be filed on or about September 28, 2016.

EXHIBIT 13

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

	Fiscal Years				
	2016 (a)	2015	2014	2013	2012
Income Statement Data:					
Revenues:					
Company sales	$ 3,166,659	$ 2,904,746	$ 2,823,069	$ 2,766,618	$ 2,748,462
Franchise and other revenues	90,830	97,532	86,426	83,100	75,678
Total revenues	3,257,489	3,002,278	2,909,495	2,849,718	2,824,140
Operating Costs and Expenses:					
Company restaurants (excluding depreciation and amortization)					
Cost of sales	840,204	775,063	758,028	758,377	769,729
Restaurant labor	1,036,005	929,206	905,589	892,413	891,910
Restaurant expenses	762,663	703,334	686,314	658,834	653,248
Company restaurant expenses	2,638,872	2,407,603	2,349,931	2,309,624	2,314,887
Depreciation and amortization	156,368	145,242	136,081	131,481	125,054
General and administrative	127,593	133,467	132,094	134,538	143,388
Other gains and charges	17,180	4,764	49,224	17,300	8,974
Total operating costs and expenses	2,940,013	2,691,076	2,667,330	2,592,943	2,592,303
Operating income	317,476	311,202	242,165	256,775	231,837
Interest expense	32,574	29,006	28,091	29,118	26,800
Other, net	(1,485)	(2,081)	(2,214)	(2,658)	(3,772)
Income before provision for income taxes	286,387	284,277	216,288	230,315	208,809
Provision for income taxes	85,642	87,583	62,249	66,956	57,577
Net income	$ 200,745	$ 196,694	$ 154,039	$ 163,359	$ 151,232
Basic net income per share	$ 3.47	$ 3.12	$ 2.33	$ 2.28	$ 1.93
Diluted net income per share	$ 3.42	$ 3.05	$ 2.26	$ 2.20	$ 1.87
Basic weighted average shares outstanding	57,895	63,072	66,251	71,788	78,559
Diluted weighted average shares outstanding	58,684	64,404	68,152	74,158	80,664
Balance Sheet Data:					
Working capital	$ (255,669)	$ (231,251)	$ (271,426)	$ (191,796)	$ (206,892)
Total assets	1,472,716	1,435,873	1,490,604	1,451,758	1,439,408
Long-term obligations	1,253,372	1,095,858	961,400	912,014	727,379
Shareholders' (deficit) equity	(213,099)	(78,460)	63,094	149,357	309,873
Dividends per share	$ 1.28	$ 1.12	$ 0.96	$ 0.80	$ 0.64
Number of Restaurants Open (End of Year):					
Company-operated	1,001	888	884	877	865
Franchised/Joint venture	659	741	731	714	716
Total	1,660	1,629	1,615	1,591	1,581
Revenues of franchisees (b)	$ 1,348,616	$ 1,644,015	$ 1,616,747	$ 1,632,076	$ 1,609,893

(a) Fiscal year 2016 consisted of 53 weeks while all other periods presented consisted of 52 weeks.
(b) Revenues of Franchisees are not recorded as revenues by the Company. Management believes that franchisee revenue information is important in understanding the Company's financial performance because these revenues are the basis on which the Company calculates and records franchise revenues.

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

GENERAL

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help you understand our company, our operations, and our current operating environment. For an understanding of the significant factors that influenced our performance during the past three fiscal years, the MD&A should be read in conjunction with the consolidated financial statements and related notes included in this annual report. Our MD&A consists of the following sections:

- **Overview**—a general description of our business and the casual dining segment of the restaurant industry
- **Results of Operations**—an analysis of our consolidated statements of comprehensive income for the three years presented in our consolidated financial statements
- **Liquidity and Capital Resources**—an analysis of cash flows, including capital expenditures, aggregate contractual obligations, share repurchase activity, known trends that may impact liquidity, and the impact of inflation
- **Critical Accounting Estimates**—a discussion of accounting policies that require critical judgments and estimates

OVERVIEW

We are principally engaged in the ownership, operation, development, and franchising of the Chili's Grill & Bar ("Chili's") and Maggiano's Little Italy ("Maggiano's") restaurant brands. At June 29, 2016, we owned, operated, or franchised 1,660 restaurants.

We are committed to strategies and initiatives that are centered on long-term sales and profit growth, enhancing the guest experience and team member engagement. These strategies are intended to differentiate our brands from the competition, reduce the costs associated with managing our restaurants and establish a strong presence for our brands in key markets around the world.

Growing sales and traffic continues to be a challenge with increasing competition and heavy discounting in the casual dining industry along with recent economic pressures in certain oil producing states. U.S. economic growth has been steady, but wage growth has been slow. This wage pressure has challenged both casual dining restaurant operators and consumers as discretionary income available for restaurant visits has been limited. In response to these economic factors, we have developed both short and long-term strategies that we believe are appropriate for all operating conditions and will provide a solid foundation for future earnings growth.

We have completed a number of significant initiatives in recent years which we believe will help us drive profitable sales and traffic growth and improve the guest experience in our restaurants. Investments in restaurant reimages, new kitchen equipment and operations software have improved the relevance of our brands and the efficiency of our restaurants. We believe that these initiatives have positively impacted the customer perception of our restaurants in both the dining room and bar areas and provide us with a foundation for continued success.

We have also differentiated the Chili's brand by leveraging technology initiatives to create a digital guest experience that we believe will help us engage our guests more effectively and drive traffic. All domestic Chili's restaurants with the exception of airport and college locations are now outfitted with tabletop devices which gives us the largest network of tabletop devices in the country. The Ziosk branded tabletop device is a multi-functional device which provides ordering, guest survey and pay-at-the-table capabilities, as well as loyalty program and entertainment functionality. We also plan to leverage our tabletop devices to enable our partnership with Plenti, a consumer rewards program comprised of a coalition of major national brands. We believe the integration of the My Chili's Rewards program with Plenti will allow us to drive sales and profits. We are also investing in a new online ordering system that expands our current capabilities and gives our guests greater control of their experience. We plan to launch the Plenti and online ordering platforms in the first half of fiscal 2017. We have also launched Nowait, a new application which allows our hosts to provide more accurate wait times when a guest arrives during peak shifts and to send them a text when their table is ready. Guests can also add themselves to the wait list via the Chili's mobile app, which we believe will reduce wait times spent in our restaurants. The application also enables our hosts to optimize available seating to increase the efficiency of our restaurants.

We continually evaluate our menu at Chili's to improve quality, freshness and value by introducing new items and improving existing favorites. Our Fresh Mex platform has been successful and includes Fresh Mex bowls, mix and match fajitas, and tableside guacamole. We leveraged this success by launching our Top-Shelf Taco category including pork carnitas, ranchero

chicken and prime rib tacos. Our Texas themed Fresh Tex platform features ribs, steaks and burgers, and our traditional burger menu now features craft burgers with fresh potato buns and house made garlic pickles.

We refreshed our value proposition to drive sales and traffic in the fourth quarter with a limited time offer for a baby back rib entrée featuring new rib flavors, fries and a dessert at a $10.99 price point. We are also enhancing our value proposition as we move into the first quarter of fiscal 2017 with our new "3 for Me™" limited time offer for a classic burger, salad and mini molten dessert for just $10.00. We are also promoting happy hour offerings with margaritas and will launch our new line of craft beers featuring regional and national favorites in the second quarter of fiscal 2017. We continually seek opportunities to reinforce value and create interest for the Chili's brand with new and varied offerings to further enhance sales and drive incremental traffic. We are committed to offering a compelling everyday menu that provides items our customers prefer at a solid value.

We expect that improvements at Chili's will have the most significant impact on the business; however, our results will also benefit through additional contributions from Maggiano's and our global business. Maggiano's opened two restaurants this year, one of which is a new prototype with a flexible dining area that may be used for banquets or opened up for general seating. This new prototype allows the brand to enter new markets for which the prior model was not suited, but still accommodate smaller banquets. Maggiano's is committed to delivering high quality food and a dining experience in line with our brand heritage. We will continue to strengthen the brand’s business model with kitchen efficiency and inventory controls that we believe will continue to enhance profitability.

At the beginning of fiscal 2016, we capitalized on an opportunity to further expand our domestic business by acquiring a franchisee which owned 103 Chili’s restaurants primarily located in the Northeast and Southeast United States. We believe this acquisition fits well within our capital allocation strategy and has enabled us to grow our sales and profits in fiscal 2016. Our global Chili's business continues to grow with locations in 31 countries and two U.S. territories. Our international franchisees opened 36 new restaurants this year.

RESULTS OF OPERATIONS FOR FISCAL YEARS 2016, 2015, AND 2014

The following table sets forth selected operating data as a percentage of total revenues (unless otherwise noted) for the periods indicated. All information is derived from the accompanying consolidated statements of comprehensive income:

	Fiscal Years		
	2016	2015	2014
Revenues:			
Company sales	97.2%	96.8 %	97.0 %
Franchise and other revenues	2.8%	3.2 %	3.0 %
Total revenues	100.0%	100.0 %	100.0 %
Operating Costs and Expenses:			
Company restaurants (excluding depreciation and amortization)			
Cost of sales (a)	26.5%	26.7 %	26.9 %
Restaurant labor (a)	32.7%	32.0 %	32.1 %
Restaurant expenses (a)	24.1%	24.2 %	24.2 %
Company restaurant expenses (a)	83.3%	82.9 %	83.2 %
Depreciation and amortization	4.8%	4.8 %	4.7 %
General and administrative	3.9%	4.4 %	4.5 %
Other gains and charges	0.5%	0.2 %	1.7 %
Total operating costs and expenses	90.3%	89.6 %	91.7 %
Operating income	9.7%	10.4 %	8.3 %
Interest expense	0.9%	1.0 %	1.0 %
Other, net	0.0%	(0.1)%	(0.1)%
Income before provision for income taxes	8.8%	9.5 %	7.4 %
Provision for income taxes	2.6%	2.9 %	2.1 %
Net income	6.2%	6.6 %	5.3 %

(a) As a percentage of company sales.

REVENUES

Revenues are presented in two separate captions on the consolidated statements of comprehensive income to provide more clarity around company-owned restaurant revenue and operating expense trends. Company sales includes revenues generated by the operation of company-owned restaurants including gift card redemptions. Franchise and other revenues includes royalties, development fees, franchise fees, Maggiano's banquet service charge income, gift card breakage and discounts, tabletop gaming revenue, Chili's retail food product royalties and delivery fee income.

Total revenues for fiscal 2016 increased to $3,257.5 million, an 8.5% increase from the $3,002.3 million generated for fiscal 2015 driven by a 9.0% increase in company sales, partially offset by a 6.9% decrease in franchise and other revenues. The increase in company sales was driven by an increase in restaurant capacity resulting primarily from the acquisition of Pepper Dining as well as additional revenues attributed to the 53rd operating week, partially offset by negative comparable restaurant sales (see table below). The 53rd week contributed additional revenue of approximately $58.3 million in fiscal 2016.

	Fiscal Year Ended June 29, 2016				
	Comparable Sales (a)	**Price Increase (a)**	**Mix Shift (a)**	**Traffic (a)**	**Capacity (a)**
Company-owned	(2.4)%	1.1%	(0.1)%	(3.4)%	12.3%
Chili's (b)	(2.6)%	1.0%	0.1 %	(3.7)%	12.8%
Maggiano's	(1.3)%	1.9%	(1.6)%	(1.6)%	3.6%
Chili's Franchise (c)	(0.7)%				
U.S.	(1.2)%				
International	0.2 %				
Chili's Domestic (d)	(2.2)%				
System-wide (e)	(1.9)%				

(a) Amounts are calculated based on 52 weeks.

(b) Chili's company-owned comparable restaurant sales includes 103 Chili's restaurants acquired from a franchisee in the first quarter of fiscal 2016.

(c) Revenues generated by franchisees are not included in revenues on the consolidated statements of comprehensive income; however, we generate royalty revenue and advertising fees based on franchisee revenues, where applicable. We believe including franchisee comparable restaurant revenues provides investors information regarding brand performance that is relevant to current operations and may impact future restaurant development.

(d) Chili's Domestic comparable restaurant sales percentages are derived from sales generated by company-owned and franchise operated Chili's restaurants in the United States.

(e) System-wide comparable restaurant sales are derived from sales generated by company-owned Chili's and Maggiano's restaurants in addition to the sales generated at franchise operated restaurants.

Chili's company sales increased to $2,754.9 million in fiscal 2016, a 10.1% increase from $2,503.1 million in fiscal 2015. The increase was primarily driven by increased restaurant capacity as well as the additional operating week, partially offset by a decline in comparable restaurant sales. Chili's company-owned restaurant capacity increased 12.8% (as measured by sales weeks) compared to the prior year due to the acquisition of 103 Chili's restaurants on June 25, 2015 from a franchisee and to eight net restaurant openings during fiscal 2016. Comparable restaurant sales decreased 2.6% for fiscal 2016.

Maggiano's company sales increased to $411.8 million in fiscal 2016, a 2.5% increase from $401.6 million in fiscal 2015 primarily driven by increases in restaurant capacity as well as the additional operating week. Maggiano's restaurant capacity increased 3.6% for fiscal 2016 (as measured by sales weeks) compared to the prior year due to two restaurant openings during the fiscal year.

Franchise and other revenues decreased 6.9% to $90.8 million in fiscal 2016 compared to $97.5 million in fiscal 2015 driven by a decrease in royalty revenues resulting from the acquisition of 103 Chili's restaurants from a former franchisee, partially offset by higher revenues associated with tabletop devices and higher franchise and development fees. Our franchisees generated approximately $1,349 million in sales in fiscal 2016.

Total revenues for fiscal 2015 increased to $3,002.3 million, a 3.2% increase from the $2,909.5 million generated for fiscal 2014 driven by a 2.9% increase in company sales attributable to positive comparable restaurant sales and higher capacity (see table below).

	Fiscal Year Ended June 24, 2015				
	Comparable Sales	**Price Increase (d)**	**Mix Shift (d)**	**Traffic (d)**	**Capacity**
Company-owned	1.7%	1.8%	0.0 %	(0.1)%	0.8%
Chili’s	1.9%	1.7%	0.2 %	0.0 %	0.4%
Maggiano’s	0.8%	2.5%	(1.5)%	(0.2)%	8.2%
Chili's Franchise (a)	2.2%				
U.S.	2.9%				
International	0.4%				
Chili's Domestic (b)	2.2%				
System-wide (c)	1.9%				

(a) Revenues generated by franchisees are not included in revenues on the consolidated statements of comprehensive income; however, we generate royalty revenue and advertising fees based on franchisee revenues, where applicable. We believe including franchisee comparable restaurant revenues provides investors information regarding brand performance that is relevant to current operations and may impact future restaurant development.

(b) Chili's Domestic comparable restaurant sales percentages are derived from sales generated by company-owned and franchise operated Chili's restaurants in the United States.

(c) System-wide comparable restaurant sales are derived from sales generated by company-owned Chili’s and Maggiano’s restaurants in addition to the sales generated at franchise operated restaurants.

(d) Reclassifications have been made between pricing impact, mix-shift and traffic to conform with current year classification.

Chili’s company sales increased to $2,503.1 million in fiscal 2015, a 2.4% increase from $2,443.9 million in fiscal 2014. The increase was primarily driven by increased comparable restaurant sales and restaurant capacity. Chili's company-owned restaurant capacity increased 0.4% (as measured by sales weeks) compared to the prior year due to three net restaurant openings during fiscal 2015.

Maggiano’s company sales increased to $401.6 million in fiscal 2015, a 5.9% increase from $379.1 million in fiscal 2014 primarily driven by increases in restaurant capacity and comparable restaurant sales. Maggiano's restaurant capacity increased 8.2% for fiscal 2015 (as measured by sales weeks) compared to the prior year due to three restaurant openings during the fiscal year.

Franchise and other revenues increased to $97.5 million in fiscal 2015 compared to $86.4 million in fiscal 2014 driven by the revenues associated with tabletop devices, royalty revenues related to Chili's new retail food products, and higher royalty income primarily driven by international franchise restaurant openings. Our franchisees generated approximately $1,644 million in sales in fiscal 2015.

COSTS AND EXPENSES

Cost of sales, as a percent of company sales, decreased 0.2% in fiscal 2016 due to increased menu pricing and favorable commodity pricing related to burger meat, seafood and cheese, partially offset by unfavorable menu item mix and commodity pricing primarily related to steak and poultry. Cost of sales, as a percent of company sales, decreased 0.2% in fiscal 2015 due to favorable menu pricing and efficiency gains related to new fryer equipment, partially offset by unfavorable menu item mix and unfavorable commodity pricing primarily related to burger meat, which is market based, as well as unfavorable pricing related to fajita beef and salmon.

Restaurant labor, as a percent of company sales, increased 0.7% in fiscal 2016 primarily driven by higher wage rates, partially offset by lower incentive bonus. Restaurant labor, as a percent of company sales, decreased 0.1% in fiscal 2015 primarily driven by leverage related to higher company sales coupled with lower health insurance expenses, partially offset by increased wage rates.

Restaurant expenses, as a percent of company sales, decreased 0.1% in fiscal 2016 primarily driven by leverage related to the additional operating week, decreased advertising and workers' compensation insurance expenses, partially offset by higher repairs and maintenance and rent expenses. Restaurant expenses, as a percent of company sales, were flat in 2015 primarily driven by leverage related to higher company sales and lower workers' compensation insurance expenses, partially offset by equipment charges associated with tabletop devices and higher credit card fees.

Depreciation and amortization increased $11.1 million in fiscal 2016 primarily due to depreciation on acquired restaurants, asset replacements, new restaurant openings and investments in the Chili's reimage program, partially offset by an increase in fully depreciated assets. Depreciation and amortization increased $9.2 million in fiscal 2015 primarily due to investments in the Chili's reimage program, new restaurant openings and new fryer equipment, partially offset by an increase in fully depreciated assets.

General and administrative expenses decreased $5.9 million in fiscal 2016 due to lower performance-based compensation, partially offset by the termination of accounting and information technology support fees resulting from the acquisition of 103 Chili's restaurants. General and administrative expenses increased $1.4 million in fiscal 2015 due to higher performance-based compensation and technology and innovation expenditures made in support of sales driving initiatives, partially offset by lower stock-based compensation and professional fees.

Other gains and charges were $17.2 million in fiscal 2016. We recorded impairment charges of $10.7 million primarily related to seven underperforming restaurants that either continue to operate or are scheduled to close and $1.0 million related to a cost method investment. Restaurant closure charges of $3.8 million primarily consists of additional lease and other costs associated with closed restaurants. We also incurred $3.3 million in severance and other benefits related to organizational changes. We were a plantiff in a class action lawsuit against US Foods styled as *In re U.S. Foodservice, Inc. Pricing Litigation*. A settlement agreement was fully executed by all parties in September 2015, and we received approximately $2.0 million during the second quarter of fiscal 2016 in settlement of this litigation. We also received net proceeds of $1.2 million from British Petroleum in the fourth quarter of fiscal 2016 related to the 2010 Gulf of Mexico oil spill judgment. Additionally, we recorded a $2.9 million gain on the sale of several properties and $0.7 million of transaction costs related to the acquisition of Pepper Dining. Other charges primarily include $1.4 million of expenses to reserve for royalties, rents and other outstanding amounts related to a bankrupt franchisee and $1.2 million of professional service fees associated with organizational changes.

Other gains and charges in fiscal 2015 were $4.8 million. We were a plaintiff in the antitrust litigation against Visa and MasterCard styled as *Progressive Casualty Insurance Co., et al. v. Visa, Inc., et al.* A settlement agreement was fully executed by all parties in January 2015 and we recognized a gain of approximately $8.6 million. During the second quarter of fiscal 2015, the class action lawsuit styled as *Hohnbaum, et al. v. Brinker Restaurant Corp., et al.* ("Hohnbaum case") was finalized resulting in an additional charge of approximately $5.8 million to adjust our previous estimate of the final settlement amount. In February 2015, we funded the settlement in the amount of $44.0 million against our previously established reserve. Additionally, during fiscal 2015 we recorded restaurant impairment charges of $2.3 million related to underperforming restaurants that either continue to operate or are scheduled to close in fiscal 2017. We also recorded restaurant closure charges of $1.7 million primarily related to lease termination charges and a $1.1 million loss primarily related to the sale of two company-owned restaurants located in Mexico. We incurred $1.2 million in severance and other benefits related to organizational changes made during the fiscal year. The severance charges include expenses related to the accelerated vesting of stock-based compensation awards. We incurred expenses of approximately $1.1 million during fiscal 2015 related to the acquisition of a franchisee which owns 103 Chili's restaurants subsequent to the end of the year.

Other gains and charges in fiscal 2014 included charges of approximately $39.5 million related to various litigation matters including the Hohnbaum case. We also recorded restaurant impairment charges of $4.5 million related to underperforming restaurants that either continue to operate or are scheduled to close in fiscal 2017. Additionally, we recorded $3.4 million of restaurant closure charges consisting primarily of lease termination charges and other costs associated with closed restaurants. We also incurred $2.1 million in severance and other benefits related to organizational changes made during the fiscal year. The severance charges include expenses related to the accelerated vesting of stock-based compensation awards. Furthermore, a $0.6 million gain was recorded primarily related to land sales.

Interest expense increased $3.6 million in fiscal 2016 resulting from higher borrowing balances, partially offset by lower interest rates. Interest expense increased $0.9 million in fiscal 2015 resulting from higher borrowing balances, partially offset by lower interest rates.

Other, net in fiscal 2016, 2015, and 2014 includes $1.2 million, $1.8 million and $1.9 million, respectively, of sublease income primarily from franchisees as part of the respective sale agreements, as well as other subtenants.

INCOME TAXES

The effective income tax rate for fiscal 2016 decreased to 29.9% compared to 30.8% in the prior year due to the impact of tax benefits primarily related to permanent items in the current year such as the FICA tax credit and state income taxes, net of Federal benefit. The decrease in the current year effective income tax rate is also attributable to the benefits associated with the release of the valuation allowance for state tax net operating losses and the resolution of certain tax positions.

The effective income tax rate for fiscal 2015 increased to 30.8% compared to 28.8% in the prior year primarily due to the impact of tax benefits related to litigation charges in the prior year.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Cash Flow Provided By Operating Activities

During fiscal 2016, net cash flow provided by operating activities was $394.7 million compared to $368.6 million in the prior year. Fiscal 2015 cash flow from operations was negatively impacted by the payment of the legal settlement in the Hohnbaum case. Fiscal 2016 cash from operations was negatively impacted by the settlement of liabilities assumed as part of the acquisition of Pepper Dining. Excluding the impact of these two items, cash flow from operations was relatively consistent year over year.

During fiscal 2015, net cash flow provided by operating activities was $368.6 million compared to $359.8 million in the prior year. The increase was driven by an increase in current year earnings, partially offset by unfavorable changes in working capital. Cash flow provided by operating activities in fiscal 2015 was negatively impacted by the payment of the legal settlement in the Hohnbaum case and the timing of operational payments.

Cash Flow Used In Investing Activities

	2016	2015	2014
Net cash used in investing activities (in thousands):			
Payments for property and equipment	$ (112,788)	$ (140,262)	$ (161,066)
Payments for purchase of restaurants	(105,577)	0	0
Proceeds from sale of assets	4,256	1,950	888
	$ (214,109)	$ (138,312)	$ (160,178)

Net cash used in investing activities for fiscal 2016 increased to $214.1 million compared to $138.3 million in the prior year primarily due to the acquisition of Pepper Dining for $105.6 million. Capital expenditures decreased to $112.8 million for fiscal 2016 compared to $140.3 million for fiscal 2015 primarily due to decreased spending on the Chili's reimage program in fiscal 2016 compared to the prior year, partially offset by increased normal asset replacement and new restaurant construction for Chili's. The reimage program was substantially completed in fiscal 2015; however, we began reimaging the restaurants acquired from Pepper Dining in fiscal 2016.

Net cash used in investing activities for fiscal 2015 decreased to $138.3 million compared to $160.2 million in the prior year. Capital expenditures decreased to $140.3 million for fiscal 2015 compared to $161.1 million for fiscal 2014 driven by the wind down and completion of the Chili's reimage program and decreased spending on restaurant equipment in fiscal 2015 compared to the prior year due to the purchase of new fryer equipment in fiscal 2014. The decreases were partially offset by increased new restaurant construction for both Chili's and Maggiano's.

Cash Flow Used In Financing Activities

	2016	2015	2014
Net cash used in financing activities (in thousands):			
Purchases of treasury stock	$ (284,905)	$ (306,255)	$ (239,597)
Borrowings on revolving credit facility	256,500	480,750	120,000
Payments on revolving credit facility	(110,000)	(177,000)	(40,000)
Payments of dividends	(74,066)	(70,832)	(63,395)
Proceeds from issuances of treasury stock	6,147	16,259	29,295
Excess tax benefits from stock-based compensation	5,460	15,893	18,872
Payments on long-term debt	(3,402)	(189,177)	(26,521)
Payments for deferred financing costs	0	(2,501)	0
	$ (204,266)	$ (232,863)	$ (201,346)

Net cash used in financing activities for fiscal 2016 decreased to $204.3 million compared to $232.9 million in the prior year primarily due to an increase in net borrowing activity and a decrease in spending on share repurchases, partially offset by decreases in proceeds from issuance of treasury stock and excess tax benefits from stock-based compensation.

We repurchased approximately 5.8 million shares of our common stock for $284.9 million during fiscal 2016 including shares purchased as part of our share repurchase program and shares repurchased to satisfy team member tax withholding obligations on the vesting of restricted shares. Subsequent to the end of the fiscal year, we repurchased 699,000 shares for approximately $33.7 million as part of our share repurchase program. We also repurchased approximately 51,000 shares for $2.8 million to satisfy team member tax withholding obligations on the vesting of primarily restricted stock units.

During fiscal 2016, $256.5 million was drawn from the $750 million revolving credit facility primarily to fund the acquisition of Pepper Dining and for share repurchases. We repaid a total of $110.0 million during fiscal 2016. Subsequent to the end of the fiscal year, an additional $70.0 million was borrowed from the $750 million revolving credit facility primarily to fund share repurchases. We also made a $20.0 million payment on the revolving credit facility.

The maturity date of the $750 million revolving credit facility is March 12, 2020. The revolving credit facility bears interest of LIBOR plus an applicable margin, which is a function of our credit rating and debt to cash flow ratio, but is subject to a maximum of LIBOR plus 2.00%. Based on our current credit rating, we are paying interest at a rate of LIBOR plus 1.18% for a total of 1.64%. One month LIBOR at June 29, 2016 was approximately 0.46%. As of June 29, 2016, $219.8 million of credit is available under the revolving credit facility. As of June 29, 2016, we were in compliance with all financial debt covenants.

As of June 29, 2016, our credit rating by both Standard and Poor's ("S&P") and Fitch Ratings ("Fitch") was BBB- (investment grade) with a stable outlook. Our credit rating by Moody's was Baa3 (investment grade) with a stable outlook.

We paid dividends of $74.1 million to common stock shareholders in fiscal 2016 compared to $70.8 million in dividends paid in fiscal 2015. Our Board of Directors approved a 14.3% increase in the quarterly dividend from $0.28 to $0.32 per share effective with the September 2015 dividend. Additionally, we declared a quarterly dividend late in fiscal 2016 which was paid early in fiscal 2017 on June 30, 2016. Subsequent to the end of the fiscal year, our Board of Directors approved a 6.3% increase in the quarterly dividend from $0.32 to $0.34 per share effective with the September 2016 dividend which was declared in August 2016. We will continue to target a 40 percent dividend payout ratio to provide additional return to shareholders.

In August 2015, our Board of Directors authorized a $250.0 million increase to our existing share repurchase program resulting in total authorizations of $4,185.0 million. As of June 29, 2016, approximately $333 million was available under our share repurchase authorizations. Our stock repurchase plan has been and will be used to return capital to shareholders and to minimize the dilutive impact of stock options and other share-based awards. Repurchased common stock is reflected as a reduction of shareholders' equity. During fiscal 2016, approximately 234,000 stock options were exercised resulting in cash proceeds of $6.1 million.

Net cash used in financing activities for fiscal 2015 increased to $232.9 million compared to $201.3 million in the prior year primarily due to increased payments on long-term debt, spending on share repurchases, a decrease in proceeds from issuances of treasury stock related to stock option exercises and an increase in payments of dividends, partially offset by an increase in net borrowings on the revolving credit facility.

We repurchased approximately 5.4 million shares of our common stock for $306.3 million during fiscal 2015 including shares purchased as part of our share repurchase program and to satisfy team member tax withholding obligations on the vesting of restricted shares.

During the first nine months of fiscal 2015, $97 million was drawn from the $250 million revolving credit facility primarily to fund share repurchases, and we paid the required quarterly term loan payments totaling $18.7 million. In March 2015, we terminated the existing credit facility including both the $250 million revolver and the term loan and entered into a new $750 million revolving credit facility maturing in March 2020. Approximately $345.8 million was drawn from the new revolver and the proceeds were used to pay off the outstanding balances of the term loan and $250 million revolver in the amount of $168.8 million and $177.0 million, respectively. During the fourth quarter of fiscal 2015, an additional $38.0 million was drawn from the new revolver primarily to fund share repurchases. See above for further discussion on the terms of the revolver. Based on our credit rating, we paid interest at a rate of LIBOR plus 1.18% for a total of 1.38%. One month LIBOR at June 24, 2015 was approximately 0.19%. As of June 24, 2015, $366.2 million of credit was available under the revolving credit facility and we were in compliance with all financial debt covenants.

We paid dividends of $70.8 million to common stock shareholders in fiscal 2015 compared to $63.4 million in dividends paid in fiscal 2014. Our Board of Directors approved a 17% increase in the quarterly dividend from $0.24 to $0.28 per share effective with the September 2014 dividend. Additionally, we declared a quarterly dividend late in fiscal 2015 which was paid early in fiscal 2016 on June 25, 2015.

In August 2014, our Board of Directors authorized a $350.0 million increase to our existing share repurchase program resulting in total authorizations of $3,935.0 million. As of June 24, 2015, approximately $361 million was available under our

share repurchase authorizations. Repurchased common stock is reflected as a reduction of shareholders' equity. During fiscal 2015, approximately 765,000 stock options were exercised resulting in cash proceeds of $16.3 million.

We have evaluated ways to monetize the value of our owned real estate and determined that the alternatives considered are more costly than other financing options currently available due to a combination of the income tax impact and higher effective borrowing rates.

Cash Flow Outlook

We believe that our various sources of capital, including future cash flow from operating activities and availability under our existing credit facility are adequate to finance operations as well as the repayment of current debt obligations. We are not aware of any other event or trend that would potentially affect our liquidity. In the event such a trend develops, we believe that there are sufficient funds available under our credit facility and from our internal cash generating capabilities to adequately manage our ongoing business.

We plan to increase leverage in the range of $250 to $300 million in the near term subject to market conditions and use the proceeds to return capital to shareholders in the form of share repurchases. On August 10, 2016, our Board of Directors authorized an additional $150 million in share repurchases, bringing the total authorization to $4.3 billion. As of August 29, 2016, approximately $449.3 million was available under our share repurchase authorizations. On August 11, 2016, Fitch subsequently downgraded Brinker to BB+ (non-investment grade) with a stable outlook. In addition, S&P placed us on negative credit watch and Moody's placed us on review for downgrade based on our plan to increase leverage. On August 26, 2016, Moody's released a credit opinion rating at Baa3 with a possible downgrade and ratings under review outlook. Our goal is to maintain strong free cash flow to support leverage that we believe is appropriate to allow ongoing investment in the business and return of capital to shareholders.

Payments due under our contractual obligations for outstanding indebtedness, purchase obligations as defined by the Securities and Exchange Commission ("SEC"), and the expiration of the credit facility as of June 29, 2016 are as follows:

	Payments Due by Period (in thousands)				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt (a)	$ 1,079,980	$ 0	$ 249,934	$ 530,250	$ 299,796
Interest (b)	127,347	26,821	47,142	30,134	23,250
Capital leases	53,893	5,954	10,971	8,991	27,977
Operating leases	638,743	123,312	211,694	147,174	156,563
Purchase obligations (c)	137,761	30,055	52,185	41,029	14,492
	Amount of Revolving Credit Facility Expiration by Period (in thousands)				
	Total Commitment	Less than 1 year	1-3 Years	3-5 Years	More than 5 Years
Revolving credit facility	$ 750,000	$ 0	$ 0	$ 750,000	$ 0

(a) Long-term debt consists of principal amounts owed on the five-year revolver, 2.60% notes and 3.88% notes.

(b) Interest consists of remaining interest payments on the 2.60% and 3.88% notes totaling $94.4 million and remaining interest payments on the revolver totaling $32.9 million. The interest rates on the notes are fixed whereas the interest rate on the revolver is variable. We have assumed that the revolver balance remains outstanding at $530.3 million until the maturity date of March 12, 2020 using the interest rate as of June 29, 2016 which was approximately 1.64%.

(c) A "purchase obligation" is defined as an agreement to purchase goods or services that is enforceable and legally binding on us and that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Our purchase obligations primarily consist of long-term obligations for the purchase of fountain beverages and professional services contracts and exclude agreements that are cancellable without significant penalty.

In addition to the amounts shown in the table above, $5.8 million of unrecognized tax benefits have been recorded as liabilities. The timing and amounts of future cash payments related to these liabilities are uncertain.

IMPACT OF INFLATION

We have experienced impact from inflation. Inflation has caused increased food, labor and benefits costs and has increased our operating expenses. To the extent permitted by competition, increased costs are recovered through a combination of menu price increases and reviewing, then implementing, alternative products or processes, or by implementing other cost reduction procedures.

CRITICAL ACCOUNTING ESTIMATES

Our significant accounting policies are disclosed in Note 1 to our consolidated financial statements. The following discussion addresses our most critical accounting estimates, which are those that are most important to the portrayal of our financial condition and results, and that require significant judgment.

Stock-Based Compensation

We measure and recognize compensation cost at fair value for all share-based payments. We determine the fair value of our performance shares that contain a market condition using a Monte Carlo simulation model. The Monte Carlo method is a statistical modeling technique that requires highly judgmental assumptions regarding our future operating performance compared to our plan designated peer group in the future. The simulation is based on a probability model and market-based inputs that are used to predict future stock returns. We use the historical operating performance and correlation of stock performance to the S&P 500 composite index of us and our peer group as inputs to the simulation model. These historical returns could differ significantly in the future and as a result, the fair value assigned to the performance shares could vary significantly to the final payout. We believe the Monte Carlo simulation model provides the best evidence of fair value at the grant date and is an appropriate technique for valuing share-based awards. We determine the fair value of our stock option awards using the Black-Scholes option valuation model. The Black-Scholes model requires judgmental assumptions including expected life and stock price volatility. We base our expected life assumptions on historical experience regarding option life. Stock price volatility is calculated based on historical prices and the expected life of the options. We recognize compensation expense for only the portion of share-based awards that are expected to vest. Therefore, we apply estimated forfeiture rates that are derived from our historical forfeitures of similar awards.

Income Taxes

We make certain estimates and judgments in the calculation of tax expense and the resulting tax liabilities and in the recoverability of deferred tax assets that arise from temporary differences between the tax and financial statement recognition of revenue and expense. When considered necessary, we record a valuation allowance to reduce deferred tax assets to a balance that is more likely than not to be recognized. We use an estimate of our annual effective tax rate at each interim period based on the facts and circumstances available at that time while the actual effective tax rate is calculated at year-end.

We have recorded deferred tax assets of $2.7 million reflecting the benefit of state loss carryforwards, which expire in varying amounts. Realization is dependent on generating sufficient taxable income in the relevant jurisdiction prior to expiration of the state loss carryforwards. Although realization is not assured, management believes it is more likely than not that the recognized deferred tax assets will be realized. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

Certain federal and state net operating losses as well as the utilization of the federal credit carryover are limited by Section 382 of the Internal Revenue Code.

We record a liability for unrecognized tax benefits resulting from tax positions taken, or expected to be taken, in an income tax return. We recognize any interest and penalties related to unrecognized tax benefits in income tax expense. Significant judgment is required in assessing, among other things, the timing and amounts of deductible and taxable items. Tax reserves are evaluated and adjusted as appropriate, while taking into account the progress of audits of various taxing jurisdictions.

In addition to the risks related to the effective tax rate described above, the effective tax rate reflected in forward-looking statements is based on current tax law. Any significant changes in the tax laws could affect these estimates.

Impairment of Long-Lived Assets

We review the carrying amount of property and equipment semi-annually or when events or circumstances indicate that the carrying amount may not be recoverable. If the carrying amount is not recoverable, we record an impairment charge for the excess of the carrying amount over the fair value. We determine fair value based on discounted projected future operating cash flows of the restaurants over their remaining service life using a risk adjusted discount rate that is commensurate with the inherent risk. This process requires the use of estimates and assumptions, which are subject to a high degree of judgment.

Impairment of Goodwill

We assess the recoverability of goodwill related to our restaurant brands on an annual basis or more often if circumstances or events indicate impairment may exist. We consider our restaurants brands, Chili's and Maggiano's, to be both our operating segments and reporting units. The impairment test is a two-step process. Step one includes comparing the fair value of our reporting units to their carrying value. If the fair value of the reporting unit exceeds the carrying value, then the goodwill balance is not impaired and no further evaluation is required. If the carrying value of the reporting unit exceeds its fair value, impairment may exist and performing step two is necessary to determine the impairment loss. The amount of impairment would be determined by performing a hypothetical analysis resulting in an implied goodwill value by performing a fair value allocation as if the unit were being acquired in a business combination. This implied value would be compared to the carrying value to determine the amount of impairment loss, if any.

We determine fair value based on discounted projected future operating cash flows of the reporting units using a risk adjusted discount rate that is commensurate with the risk inherent in our current business model. We make assumptions regarding future profits and cash flows, expected growth rates, terminal values and other factors which could significantly impact the fair value calculations. In the event that these assumptions change in the future, we may be required to record impairment charges related to goodwill. The fair value of our reporting units was substantially in excess of the carrying value as of our fiscal 2016 goodwill impairment tests that were performed at the end of the second quarter. No indicators of impairment were identified from the date of our impairment test through the end of fiscal year 2016.

Self-Insurance

We are self-insured for certain losses related to health, general liability and workers' compensation. We maintain stop loss coverage with third party insurers to limit our total exposure. The self-insurance liability represents an estimate of the ultimate cost of claims incurred and unpaid as of the balance sheet date. The estimated liability is not discounted and is established based upon analysis of historical data and actuarial estimates, and is reviewed on a quarterly basis to ensure that the liability is appropriate. If actual trends, including the severity or frequency of claims, differ from our estimates, our financial results could be impacted.

Gift Card Revenue

Proceeds from the sale of gift cards are recorded as deferred revenue and recognized as revenue when the gift card is redeemed by the holder. Breakage income represents the value associated with the portion of gift cards sold that will most likely never be redeemed. Based on our historical gift card redemption patterns and considering our gift cards have no expiration dates or dormancy fees, we can reasonably estimate the amount of gift card balances for which redemption is remote and record breakage income based on this estimate. We recognize breakage income within the Franchise and other revenues caption in the consolidated statements of comprehensive income. We update our breakage rate estimate periodically and, if necessary, adjust the deferred revenue balance accordingly. If actual redemption patterns vary from our estimate, actual gift card breakage income may differ from the amounts recorded. Changing our breakage-rate assumption on unredeemed gift cards by 25 basis points would result in an impact to our consolidated statement of comprehensive income of approximately $6.2 million.

Recent Accounting Pronouncements

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting (Topic 718). This update was issued as part of the FASB's simplification initiative and affects all entities that issue share-based payment awards to their employees. The amendments in this update cover such areas as the recognition of excess tax benefits and deficiencies, the classification of those excess tax benefits on the statement of cash flows, an accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification and the classification of those taxes paid on the statement of cash flows. This update is effective for annual and interim periods for fiscal years beginning after December 15, 2016, which will require us to adopt these provisions in the first quarter of fiscal 2018. Early adoption is permitted for financial statements that have not been previously issued. This update will be applied either prospectively, retrospectively or using a cumulative effect transition method, depending on the area covered in this update. We have not yet determined the effect of this update on our ongoing financial reporting.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This update requires a lessee to recognize on the balance sheet a liability to make lease payments and a corresponding right-of-use asset. The update also requires additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases. This update is effective for annual and interim periods for fiscal years beginning after December 15, 2018, which will require us to adopt these provisions in the first quarter of fiscal 2020. Early adoption is permitted for financial statements that have not been previously issued. This update will be applied on a modified retrospective basis. We have not yet determined the effect of this update on our ongoing financial reporting.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. This update requires that debt issuance costs be presented in the balance sheet as a direct deduction from the associated debt liability. This update is effective for annual and interim periods for fiscal years beginning after December 15, 2015, which will require us to adopt these provisions in the first quarter of fiscal 2017. Early adoption is permitted for financial statements that have not been previously issued. This update will be applied on a retrospective basis. The adoption of this update will not have a material impact on our consolidated financial statements. Our current balance of debt issuance costs was approximately $3.3 million at the end of fiscal 2016.

In April 2015, the FASB issued ASU 2015-05, Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. This update provides guidance to customers about whether a cloud computing arrangement includes a software license and the related accounting treatment. This update is effective for annual and interim periods for fiscal years beginning after December 15, 2015, which will require us to adopt these provisions in the first quarter of fiscal 2017. Early adoption is permitted for financial statements that have not been previously issued. This update may be applied prospectively for all arrangements entered into or materially modified after the effective date or on a retrospective basis. We do not expect the adoption of this update to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The FASB has subsequently amended this update by issuing additional ASU's that provide clarification and further guidance around areas identified as potential implementation issues. These updates provide a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. These updates also require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. In August 2015, the FASB issued ASU 2015-14 delaying the effective date of adoption. These updates are now effective for annual and interim periods for fiscal years beginning after December 15, 2017, which will require us to adopt these provisions in the first quarter of fiscal 2019. Early application in fiscal 2018 is permitted. These updates permit the use of either the retrospective or cumulative effect transition method. We do not believe the standard will impact our recognition of revenue from company-owned restaurants or our recognition of royalty fees from franchisees. We are continuing to evaluate the impact the adoption of this standard will have on the recognition of other less significant revenue transactions.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate risk on short-term and long-term financial instruments carrying variable interest rates. The variable rate financial instruments consist of the outstanding borrowings on our revolving credit facility. At June 29, 2016, $530.3 million was outstanding under the revolving credit facility. The impact on our annual results of operations of a one-point interest rate change on the outstanding balance of these variable rate financial instruments as of June 29, 2016 would be approximately $5.3 million.

We purchase certain commodities such as beef, pork, poultry, seafood, produce, dairy and natural gas. These commodities are generally purchased based upon market prices established with vendors. These purchase arrangements may contain contractual features that fix the price paid for certain commodities. We do not use financial instruments to hedge commodity prices because these purchase arrangements help control the ultimate cost paid.

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

BRINKER INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, except per share amounts)

	Fiscal Years		
	2016	**2015**	**2014**
Revenues:			
Company sales	$ 3,166,659	$ 2,904,746	$ 2,823,069
Franchise and other revenues	90,830	97,532	86,426
Total revenues	3,257,489	3,002,278	2,909,495
Operating Costs and Expenses:			
Company restaurants (excluding depreciation and amortization)			
Cost of sales	840,204	775,063	758,028
Restaurant labor	1,036,005	929,206	905,589
Restaurant expenses	762,663	703,334	686,314
Company restaurant expenses	2,638,872	2,407,603	2,349,931
Depreciation and amortization	156,368	145,242	136,081
General and administrative	127,593	133,467	132,094
Other gains and charges	17,180	4,764	49,224
Total operating costs and expenses	2,940,013	2,691,076	2,667,330
Operating income	317,476	311,202	242,165
Interest expense	32,574	29,006	28,091
Other, net	(1,485)	(2,081)	(2,214)
Income before provision for income taxes	286,387	284,277	216,288
Provision for income taxes	85,642	87,583	62,249
Net income	$ 200,745	$ 196,694	$ 154,039
Basic net income per share	$ 3.47	$ 3.12	$ 2.33
Diluted net income per share	$ 3.42	$ 3.05	$ 2.26
Basic weighted average shares outstanding	57,895	63,072	66,251
Diluted weighted average shares outstanding	58,684	64,404	68,152
Other comprehensive loss:			
Foreign currency translation adjustment	$ (2,964)	$ (7,690)	$ (940)
Other comprehensive loss	(2,964)	(7,690)	(940)
Comprehensive income	$ 197,781	$ 189,004	$ 153,099
Dividends per share	$ 1.28	$ 1.12	$ 0.96

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	June 29, 2016	June 24, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 31,446	$ 55,121
Accounts receivable, net	43,944	46,588
Inventories	25,104	23,035
Restaurant supplies	45,455	43,968
Prepaid expenses	30,825	18,512
Total current assets	176,774	187,224
Property and Equipment:		
Land	147,626	147,763
Buildings and leasehold improvements	1,626,924	1,546,957
Furniture and equipment	663,472	618,084
Construction-in-progress	23,965	15,001
	2,461,987	2,327,805
Less accumulated depreciation and amortization	(1,418,835)	(1,295,761)
Net property and equipment	1,043,152	1,032,044
Other Assets:		
Goodwill	164,007	132,381
Deferred income taxes, net	27,003	33,137
Intangibles, net	30,225	16,642
Other	31,555	34,445
Total other assets	252,790	216,605
Total assets	$ 1,472,716	$ 1,435,873
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current Liabilities:		
Current installments of long-term debt	$ 3,563	$ 3,439
Accounts payable	95,414	92,947
Gift card liability	122,329	114,726
Accrued payroll	70,999	82,915
Other accrued liabilities	121,324	111,197
Income taxes payable	18,814	13,251
Total current liabilities	432,443	418,475
Long-term debt, less current installments	1,113,949	970,825
Other liabilities	139,423	125,033
Commitments and Contingencies (Notes 9 and 14)		
Shareholders' Deficit:		
Common stock—250,000,000 authorized shares; $0.10 par value; 176,246,649 shares issued and 55,420,656 shares outstanding at June 29, 2016 and 176,246,649 shares issued and 60,585,608 shares outstanding at June 24, 2015	17,625	17,625
Additional paid-in capital	495,110	490,111
Accumulated other comprehensive loss	(11,594)	(8,630)
Retained earnings	2,558,193	2,431,683
	3,059,334	2,930,789
Less treasury stock, at cost (120,825,993 shares at June 29, 2016 and 115,661,041 shares at June 24, 2015)	(3,272,433)	(3,009,249)
Total shareholders' deficit	(213,099)	(78,460)
Total liabilities and shareholders' deficit	$ 1,472,716	$ 1,435,873

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT) EQUITY
(In thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
	Shares	Amount					
Balances at June 26, 2013	67,444	$ 17,625	$ 477,420	$ 2,217,623	$ (2,563,311)	$ 0	$ 149,357
Net income	0	0	0	154,039	0	0	154,039
Other comprehensive loss	0	0	0	0	0	(940)	(940)
Dividends ($0.96 per share)	0	0	0	(65,130)	0	0	(65,130)
Stock-based compensation	0	0	16,888	0	0	0	16,888
Purchases of treasury stock	(5,079)	0	(6,103)	0	(233,494)	0	(239,597)
Issuances of common stock	2,194	0	(23,067)	0	52,362	0	29,295
Excess tax benefit from stock-based compensation	0	0	19,182	0	0	0	19,182
Balances at June 25, 2014	64,559	17,625	484,320	2,306,532	(2,744,443)	(940)	63,094
Net income	0	0	0	196,694	0	0	196,694
Other comprehensive loss	0	0	0	0	0	(7,690)	(7,690)
Dividends ($1.12 per share)	0	0	0	(71,543)	0	0	(71,543)
Stock-based compensation	0	0	14,989	0	0	0	14,989
Purchases of treasury stock	(5,445)	0	(4,804)	0	(301,451)	0	(306,255)
Issuances of common stock	1,472	0	(20,386)	0	36,645	0	16,259
Excess tax benefit from stock-based compensation	0	0	15,992	0	0	0	15,992
Balances at June 24, 2015	60,586	17,625	490,111	2,431,683	(3,009,249)	(8,630)	(78,460)
Net income	0	0	0	200,745	0	0	200,745
Other comprehensive loss	0	0	0	0	0	(2,964)	(2,964)
Dividends ($1.28 per share)	0	0	0	(74,235)	0	0	(74,235)
Stock-based compensation	0	0	15,207	0	0	0	15,207
Purchases of treasury stock	(5,842)	0	(3,796)	0	(281,109)	0	(284,905)
Issuances of common stock	677	0	(11,778)	0	17,925	0	6,147
Excess tax benefit from stock-based compensation	0	0	5,366	0	0	0	5,366
Balances at June 29, 2016	55,421	$ 17,625	$ 495,110	$ 2,558,193	$ (3,272,433)	$ (11,594)	$ (213,099)

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Fiscal Years		
	2016	2015	2014
Cash Flows from Operating Activities:			
Net income	$ 200,745	$ 196,694	$ 154,039
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	156,368	145,242	136,081
Litigation reserves	0	0	39,500
Restructure charges and other impairments	17,445	5,636	8,533
Deferred income taxes	21,523	13,140	(23,041)
Net loss on disposal of assets	87	4,523	5,161
Stock-based compensation	15,159	14,802	16,074
Gain on equity investments	(571)	(368)	(328)
Other	1,918	250	707
Changes in assets and liabilities:			
Accounts receivable	(3,682)	1,932	(5,372)
Inventories	11	475	912
Prepaid expenses and other	(13,130)	4,368	1,827
Intangibles and other assets	72	(2,140)	(3,397)
Current income taxes	9,928	6,284	14,087
Accounts payable	(5,783)	1,117	3,756
Accrued liabilities	(10,013)	(22,595)	14,617
Other liabilities	4,623	(749)	(3,314)
Net cash provided by operating activities	394,700	368,611	359,842
Cash Flows from Investing Activities:			
Payments for property and equipment	(112,788)	(140,262)	(161,066)
Proceeds from sale of assets	4,256	1,950	888
Payments for purchase of restaurants	(105,577)	0	0
Net cash used in investing activities	(214,109)	(138,312)	(160,178)
Cash Flows from Financing Activities:			
Borrowings on revolving credit facility	256,500	480,750	120,000
Purchases of treasury stock	(284,905)	(306,255)	(239,597)
Payments on long-term debt	(3,402)	(189,177)	(26,521)
Payments on revolving credit facility	(110,000)	(177,000)	(40,000)
Payments of dividends	(74,066)	(70,832)	(63,395)
Proceeds from issuances of treasury stock	6,147	16,259	29,295
Excess tax benefits from stock-based compensation	5,460	15,893	18,872
Payments for deferred financing costs	0	(2,501)	0
Net cash used in financing activities	(204,266)	(232,863)	(201,346)
Net change in cash and cash equivalents	(23,675)	(2,564)	(1,682)
Cash and cash equivalents at beginning of year	55,121	57,685	59,367
Cash and cash equivalents at end of year	$ 31,446	$ 55,121	$ 57,685

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Operations

We are principally engaged in the ownership, operation, development, and franchising of the Chili's Grill & Bar ("Chili's") and Maggiano's Little Italy ("Maggiano's") restaurant brands. At June 29, 2016, we owned, operated, or franchised 1,660 restaurants in the United States and 31 countries and two territories outside of the United States.

(b) Basis of Presentation

Our consolidated financial statements include the accounts of Brinker International, Inc. and our wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

We have a 52/53 week fiscal year ending on the last Wednesday in June. Fiscal year 2016 ended on June 29, 2016 and contained 53 weeks. Fiscal years 2015 and 2014, which ended on June 24, 2015, and June 25, 2014, respectively, each contained 52 weeks. The estimated impact of the 53rd week in fiscal 2016 in comparison to fiscal 2015 was an increase in revenue of approximately $58.3 million. While certain expenses increased in direct relationship to additional revenue from the 53rd week, other expenses, such as fixed costs, are incurred on a calendar month basis.

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-17, Balance Sheet Classification of Deferred Taxes (Topic 740), which requires deferred tax assets and liabilities to be classified as noncurrent on the balance sheet. Prior to the issuance of the standard, deferred tax assets and liabilities were required to be separately classified into a current amount and a noncurrent amount on the balance sheet. The standard is effective for annual periods beginning after December 15, 2016, and early adoption is permitted. We elected to early adopt this guidance as of March 23, 2016 and to apply the guidance retrospectively. Accordingly, we reclassified the current deferred tax asset balance of $2.5 million to noncurrent on the consolidated balance sheet as of June 24, 2015. The reclassification did not have a material effect on our consolidated financial statements.

Revenues are presented in two separate captions on the consolidated statements of comprehensive income to provide more clarity around company-owned restaurant revenue and operating expense trends. Company sales includes revenues generated by the operation of company-owned restaurants including gift card redemptions. Franchise and other revenues includes royalties, development fees, franchise fees, Maggiano's banquet service charge income, gift card breakage and discounts, tabletop gaming revenue, Chili's retail food product royalties and delivery fee income.

We report certain labor and related expenses in a separate caption on the consolidated statements of comprehensive income titled restaurant labor. Restaurant labor includes all compensation-related expenses, including benefits and incentive compensation, for restaurant team members at the general manager level and below. Labor-related expenses attributable to multi-restaurant (or above-restaurant) supervision is included in restaurant expenses.

(c) Use of Estimates

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

(d) Revenue Recognition

We record revenue from the sale of food, beverages and alcohol as products are sold. Initial fees received from a franchisee to establish a new franchise are recognized as income when we have performed our obligations required to assist the franchisee in opening a new franchise restaurant, which is generally upon the opening of such restaurant. Fees received for development arrangements are recognized as income upon satisfaction of our obligations. Continuing royalties, which are a percentage of net sales of franchised restaurants, are accrued as income when earned.

Proceeds from the sale of gift cards are recorded as deferred revenue and recognized as revenue when the gift card is redeemed by the holder. Breakage income represents the value associated with the portion of gift cards sold that will most likely never be redeemed. Based on our historical gift card redemption patterns and considering our gift cards have no expiration dates or dormancy fees, we can reasonably estimate the amount of gift card balances for which redemption is remote and record breakage income based on this estimate. We recognize breakage income within franchise and other revenues in the consolidated statements of

comprehensive income. We update our estimate of our breakage rate periodically and, if necessary, adjust the deferred revenue balance accordingly.

(e) Fair Value Measurements

Fair value is defined as the price that we would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants on the measurement date. In determining fair value, the accounting standards establish a three level hierarchy for inputs used in measuring fair value, as follows:

- Level 1—inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2—inputs are observable for the asset or liability, either directly or indirectly, including quoted prices in active markets for similar assets or liabilities.
- Level 3—inputs are unobservable and reflect our own assumptions.

(f) Cash and Cash Equivalents

Our policy is to invest cash in excess of operating requirements in income-producing investments. Income-producing investments with original maturities of three months or less are reflected as cash equivalents.

(g) Accounts Receivable

Accounts receivable, net of the allowance for doubtful accounts, represents their estimated net realizable value. Provisions for doubtful accounts are recorded based on management’s judgment regarding our ability to collect as well as the age of the receivables. Accounts receivable are written off when they are deemed uncollectible.

(h) Inventories

Inventories consist of food, beverages and supplies and are valued at the lower of cost or market, using the first-in, first-out or "FIFO" method.

(i) Property and Equipment

Property and equipment is stated at cost. Buildings and leasehold improvements are depreciated using the straight-line method over the lesser of the life of the lease, including certain 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 10 years. Routine repair and maintenance costs are expensed when incurred. Major replacements and improvements are capitalized.

We review the carrying amount of property and equipment semi-annually or when events or circumstances indicate that the carrying amount may not be recoverable. We have determined the restaurant level is the lowest level of identifiable cash flows. If the carrying amount is not recoverable, we record an impairment charge for the excess of the carrying amount over the fair value. We determine fair value based on discounted projected future operating cash flows of the restaurants over their remaining service life using a risk adjusted discount rate that is commensurate with the inherent risk. Impairment charges are included in other gains and charges in the consolidated statements of comprehensive income.

(j) Operating Leases

Rent expense for leases that contain scheduled rent increases is recognized on a straight-line basis over the lease term, including cancelable option periods where failure to exercise such options would result in an economic penalty such that the renewal appears reasonably assured. The straight-line rent calculation and rent expense includes the rent holiday period, which is the period of time between taking control of a leased site and the rent commencement date. Contingent rents are generally amounts due as a result of sales in excess of amounts stipulated in certain restaurant leases and are included in rent expense as they are incurred. Landlord contributions are recorded when received as a deferred rent liability and amortized as a reduction of rent expense on a straight-line basis over the lease term.

(k) Advertising

Advertising production costs are expensed in the period when the advertising first takes place. Other advertising costs are expensed as incurred. Advertising costs, net of advertising contributions from franchisees, were $93.6 million, $94.3 million and $92.2 million in fiscal 2016, 2015, and 2014, respectively, and are included in restaurant expenses in the consolidated statements of comprehensive income.

(l) Goodwill and Other Intangibles

Goodwill is not subject to amortization, but is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill has been assigned to reporting units for purposes of impairment testing. Our two restaurant brands, Chili's and Maggiano's, are both operating segments and reporting units.

Goodwill impairment tests consist of a comparison of each reporting unit's fair value with its carrying value. We determine fair value based on a combination of market-based values and discounted projected future operating cash flows of the restaurant brands using a risk adjusted discount rate that is commensurate with the risk inherent in our current business model. If the carrying value of a reporting unit exceeds its fair value, goodwill is written down to its implied fair value. We determined that there was no goodwill impairment during our annual tests as the fair value of our reporting units was substantially in excess of the carrying value. No indicators of impairment were identified through the end of fiscal year 2016. See Note 5 for additional disclosures related to goodwill.

We occasionally acquire restaurants from our franchisees. Goodwill from these acquisitions represents the excess of the cost of the business acquired over the net amounts assigned to assets acquired, including identifiable intangible assets, primarily reacquired franchise rights. In connection with the sale of restaurants, we will allocate goodwill from the reporting unit, or restaurant brand, to the disposal group in the determination of the gain or loss on the disposition. The allocation is based on the relative fair values of the disposal group and the portion of the reporting unit that was retained. If we dispose of a restaurant brand and all related restaurants, the entire goodwill balance associated with the reporting unit or brand will be included in the disposal group for purposes of determining the gain or loss on the disposition. Additionally, if we sell restaurants with reacquired franchise rights, we will include those assets in the gain or loss on the disposition.

Reacquired franchise rights are also reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying amount is not recoverable, we record an impairment charge for the excess of the carrying amount over the fair value. Impairment charges are included in other gains and charges in the consolidated statements of comprehensive income.

(m) Liquor Licenses

The costs of obtaining non-transferable liquor licenses from local government agencies are expensed over the specified term of the license. The costs of purchasing transferable liquor licenses through open markets in jurisdictions with a limited number of authorized liquor licenses are capitalized as indefinite-lived intangible assets and included in intangibles.

Non-transferable liquor licenses are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying amount is not recoverable, we record an impairment charge for the excess of the carrying amount over the fair value. Transferable liquor licenses are tested for impairment semi-annually or more frequently if events or circumstances indicate that the asset might be impaired. Impairment charges are recognized based on the excess of carrying value over fair value. We determine fair value based on prices in the open market for licenses in same or similar jurisdictions. Impairment charges are included in other gains and charges in the consolidated statements of comprehensive income.

(n) Sales Taxes

Sales taxes collected from guests are excluded from revenues. The obligation is included in accrued liabilities until the taxes are remitted to the appropriate taxing authorities.

(o) Self-Insurance Program

We are self-insured for certain losses related to health, general liability and workers' compensation. We maintain stop loss coverage with third party insurers to limit our total exposure. The self-insurance liability represents an estimate of the ultimate cost of claims incurred and unpaid as of the balance sheet date. The estimated liability is not discounted and is established based upon analysis of historical data and actuarial estimates, and is reviewed on a quarterly basis to ensure that the liability is appropriate. If actual trends, including the severity or frequency of claims, differ from our estimates, our financial results could be impacted. Accrued and other liabilities include the estimated incurred but unreported costs to settle unpaid claims.

(p) Income Taxes

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

We record a liability for unrecognized tax benefits resulting from tax positions taken, or expected to be taken, in an income tax return that is not more-likely-than-not to be realized. We recognize any interest and penalties related to unrecognized tax benefits in income tax expense.

We reinvest foreign earnings, therefore, United States deferred income taxes have not been provided on foreign earnings.

(q) Stock-Based Compensation

We measure and recognize compensation cost at fair value for all share-based payments. We record compensation expense using a graded-vesting schedule or on a straight-line basis, as applicable, over the vesting period, or to the date on which retirement eligibility is achieved, if shorter.

Certain employees are eligible to receive stock options, performance shares, restricted stock and restricted stock units, while non-employee members of the Board of Directors are eligible to receive stock options, restricted stock and restricted stock units. Performance shares represent a right to receive shares of common stock upon satisfaction of company performance goals compared to a peer group at the end of a three-year cycle. The fair value of performance shares, which contain a market condition, is determined on the date of grant based on a Monte Carlo simulation model. The fair value of restricted stock and restricted stock units are based on our closing stock price on the date of grant.

Stock-based compensation expense totaled approximately $15.2 million, $15.0 million and $16.9 million for fiscal 2016, 2015 and 2014, respectively. The total income tax benefit recognized in the consolidated statements of comprehensive income related to stock-based compensation expense was approximately $5.8 million, $5.5 million and $6.9 million during fiscal 2016, 2015 and 2014, respectively.

The weighted average fair values of option grants were $10.48, $11.72 and $14.75 during fiscal 2016, 2015 and 2014, respectively. The fair value of stock options is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2016	2015	2014
Expected volatility	27.5%	31.0%	47.7%
Risk-free interest rate	1.5%	1.6%	1.6%
Expected lives	5 years	5 years	5 years
Dividend yield	2.4%	2.2%	2.2%

Expected volatility and the expected life of stock options are based on historical experience. The risk-free rate is based on the yield of a Treasury Note with a term equal to the expected life of the stock options. The dividend yield is based on the most recent quarterly dividend per share declared and the closing stock price on the declaration date.

(r) Preferred Stock

Our Board of Directors is authorized to provide for the issuance of 1.0 million preferred shares with a par value of $1.00 per share, in one or more series, and to fix the voting rights, liquidation preferences, dividend rates, conversion rights, redemption rights, and terms, including sinking fund provisions, and certain other rights and preferences. As of June 29, 2016, no preferred shares were issued.

(s) Shareholders' Deficit

In August 2015, our Board of Directors authorized a $250.0 million increase to our existing share repurchase program resulting in total authorizations of $4,185.0 million. We repurchased approximately 5.8 million shares of our common stock for $284.9 million during fiscal 2016 including shares purchased as part of our share repurchase program and to satisfy team member tax withholding obligations on the vesting of restricted shares. As of June 29, 2016, approximately $333.0 million was available under our share repurchase authorizations. Repurchased common stock is reflected as a reduction of shareholders' equity. During fiscal 2016, approximately 234,000 stock options were exercised resulting in cash proceeds of $6.1 million.

We paid dividends of $74.1 million to common stock shareholders during fiscal 2016, compared to $70.8 million in the prior year. Additionally, we declared a quarterly dividend of approximately $17.8 million, or $0.32 per share, in May 2016 which was paid on June 30, 2016.

(t) Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Fiscal 2016, 2015 and 2014 comprehensive income consists of net income and foreign currency translation adjustments. The foreign currency translation adjustment represents the unrealized impact of translating the financial statements of the Canadian restaurants and the joint venture with CMR from their respective functional currencies to U.S. dollars. This amount is not included in net income and would only be realized upon the sale or upon complete or substantially complete liquidation of the businesses. The accumulated other comprehensive loss is presented on the consolidated balance sheets.

(u) Net Income Per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the calculation of diluted net income per share, the basic weighted average number of shares is increased by the dilutive effect of stock options and restricted share awards determined using the treasury stock method. Stock options and restricted share awards with an anti-dilutive effect are not included in the dilutive earnings per share calculation.

Basic weighted average shares outstanding is reconciled to diluted weighted average shares outstanding as follows (in thousands):

	2016	2015	2014
Basic weighted average shares outstanding	57,895	63,072	66,251
Dilutive stock options	316	569	853
Dilutive restricted shares	473	763	1,048
	789	1,332	1,901
Diluted weighted average shares outstanding	58,684	64,404	68,152
Awards excluded due to anti-dilutive effect on earnings per share	550	119	113

(v) Segment Reporting

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing operating performance. We manage our business on the basis of two operating segments, Chili’s and Maggiano’s. The brands operate company-owned restaurants principally in the U.S. within the full-service casual dining segment of the industry. The Chili's segment also has franchised locations in 31 countries and two U.S. territories. Beginning in fiscal 2016, we have separately reported information about each brand. Prior to fiscal 2016, we aggregated our two operating segments into one reportable segment. Additional information about our segments, including financial information, is included in Note 15.

2. ACQUISITION OF CHILI'S RESTAURANTS

On June 25, 2015, we completed the stock acquisition of Pepper Dining Holding Corp. ("Pepper Dining"), a franchisee of 103 Chili's Grill & Bar restaurants primarily located in the Northeast and Southeast United States. The purchase price of $106.5 million, excluding cash and customary working capital adjustments of $0.9 million, was funded with borrowings from our existing credit facility. The results of operations of these restaurants are included in our consolidated financial statements from the date of acquisition. The assets and liabilities of the restaurants were recorded at their preliminary respective fair values as of the date of acquisition.

During the third quarter of fiscal 2016, we finalized the valuation of the acquired assets and liabilities associated with the Pepper Dining acquisition. The final fair value analysis resulted in a reduction of the recorded amounts for property and equipment of approximately $6.0 million and current liabilities of approximately $0.2 million on the consolidated balance sheet. The fair value reduction associated with property and equipment also resulted in a decrease of approximately $2.4 million in the deferred income tax liability associated with the assets. The change in these amounts resulted in a corresponding net increase to goodwill of approximately $3.4 million. We do not expect any further adjustments to the Pepper Dining purchase price allocation.

The final allocation of the purchase price is as follows (in thousands):

Current assets including cash and cash equivalents [(a)]	$	6,331
Property and equipment		64,532
Goodwill		31,912
Reacquired franchise rights [(b)]		10,400
Deferred income taxes		15,388
Favorable leases		5,496
Total assets acquired		134,059
Current liabilities		17,800
Unfavorable leases		8,846
Total liabilities assumed		26,646
Net assets acquired [(a)]	$	107,413

(a) The net assets acquired includes cash and cash equivalents of $1.8 million.
(b) The reacquired franchise rights have an amortization period of 12 years.

We expect $12.8 million of the goodwill balance to be deductible for tax purposes. The portion of the purchase price attributable to goodwill represents the benefits expected as a result of the acquisition, including sales and unit growth opportunities. The acquired restaurants generated approximately $259.6 million of revenue for the fifty-three week period ended June 29, 2016, approximately $2.5 million of average annual revenue per restaurant, partially offset by the loss of average annual royalty revenues of approximately $104,000 per restaurant. Pro-forma financial information of the combined entities is not presented due to the immaterial impact of the financial results of the acquired restaurants on our consolidated financial statements.

3. EQUITY METHOD INVESTMENT

We have a joint venture agreement with CMR, S.A.B. de C.V. to develop 50 Chili's restaurants in Mexico. At June 29, 2016, 40 Chili's restaurants were operating in the joint venture. We account for the Mexico joint venture investment under the equity method of accounting and record our share of the net income or loss of the investee within operating income since their operations are similar to our ongoing operations. These amounts have been included in restaurant expense in our consolidated statements of comprehensive income due to the immaterial nature of the amounts. The investment in the joint venture is included in other assets in our consolidated balance sheets.

4. OTHER GAINS AND CHARGES

Other gains and charges consist of the following (in thousands):

		2016		2015		2014
Restaurant impairment charges	$	10,651	$	2,255	$	4,502
Restaurant closure charges		3,780		1,736		3,413
Severance and other benefits		3,304		1,182		2,140
Litigation		(3,191)		(2,753)		39,500
(Gain) loss on the sale of assets, net		(2,858)		1,093		(608)
Impairment of investment		1,000		0		0
Acquisition costs		700		1,100		0
Impairment of intangible assets		392		645		0
Other		3,402		(494)		277
	$	17,180	$	4,764	$	49,224

Fiscal 2016

During fiscal 2016, we recorded impairment charges of $10.7 million primarily related to seven underperforming restaurants that either continue to operate or are scheduled to close and $1.0 million related to a cost method investment. Restaurant closure charges of $3.8 million primarily consists of additional lease and other costs associated with closed restaurants. We also incurred $3.3 million in severance and other benefits related to organizational changes.

We were a plantiff in a class action lawsuit against US Foods styled as *In re U.S. Foodservice, Inc. Pricing Litigation*. A settlement agreement was fully executed by all parties in September 2015, and we received approximately $2.0 million during the second quarter of fiscal 2016 in settlement of this litigation. We also received net proceeds of $1.2 million from British Petroleum in the fourth quarter of fiscal 2016 related to the 2010 Gulf of Mexico oil spill judgment.

Additionally, we recorded a $2.9 million gain on the sale of several properties and $0.7 million of transaction costs related to the acquisition of Pepper Dining. Other charges primarily include $1.4 million of expenses to reserve for royalties, rents and other outstanding amounts related to a bankrupt franchisee and $1.2 million of professional service fees associated with organizational changes.

Fiscal 2015

During fiscal 2015, we were a plaintiff in the antitrust litigation against Visa and MasterCard styled as *Progressive Casualty Insurance Co., et al. v. Visa, Inc., et al.* A settlement agreement was fully executed by all parties in January 2015 and we recognized a gain of approximately $8.6 million. Also during fiscal 2015, the class action lawsuit styled as *Hohnbaum, et al. v. Brinker Restaurant Corp., et al.* ("Hohnbaum case") was finalized resulting in an additional charge of approximately $5.8 million to adjust our previous estimate of the final settlement amount. See Note 14 for additional disclosures.

We recorded restaurant impairment charges of $2.3 million related to underperforming restaurants that either continue to operate or are scheduled to close in fiscal 2017. We also recorded restaurant closure charges of $1.7 million primarily related to lease termination charges and a $1.1 million loss primarily related to the sale of two company-owned restaurants located in Mexico. Furthermore, we incurred $1.2 million in severance and other benefits related to organizational changes made during the fiscal year. The severance charges include expense related to the accelerated vesting of stock-based compensation awards. We also incurred expenses of approximately $1.1 million during fiscal 2015 related to the acquisition of Pepper Dining subsequent to the end of the year.

Fiscal 2014

Other gains and charges in fiscal 2014 includes charges of approximately $39.5 million related to various litigation matters including the Hohnbaum case. See Note 14 for additional disclosures.

During fiscal 2014, we recorded restaurant impairment charges of $4.5 million related to underperforming restaurants that either continue to operate or are scheduled to close in fiscal 2017. We also recorded $3.4 million of restaurant closure charges consisting primarily of lease termination charges and other costs associated with closed restaurants. Additionally, we incurred $2.1 million in severance and other benefits related to organizational changes made during the fiscal year. The severance charges include expense related to the accelerated vesting of stock-based compensation awards. Furthermore, a $0.6 million gain was recorded primarily related to land sales.

The restaurant, liquor license and reacquired franchise rights impairment charges were measured as the excess of the carrying amount over the fair value. See Note 10 for fair value disclosures related to these impairment charges.

5. GOODWILL AND INTANGIBLES

The changes in the carrying amount of goodwill for the fiscal years ended June 29, 2016 and June 24, 2015 are as follows (in thousands):

	2016			2015		
	Chili's	Maggiano's	Consolidated	Chili's	Maggiano's	Consolidated
Balance at beginning of year	$ 93,984	$ 38,397	$ 132,381	$ 95,037	$ 38,397	$ 133,434
Changes in goodwill:						
Additions (a)	31,912	0	31,912	0	0	0
Foreign currency translation adjustment	(286)	0	(286)	(1,053)	0	(1,053)
Balance at end of year	$ 125,610	$ 38,397	$ 164,007	$ 93,984	$ 38,397	$ 132,381

(a) Additions reflect the goodwill acquired as a result of the acquisition of Pepper Dining. See Note 2 for additional disclosures.

Intangible assets, net for the fiscal years ended June 29, 2016 and June 24, 2015 are as follows (in thousands):

	2016			2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets						
Chili's reacquired franchise rights (a)	$ 17,284	$ (3,041)	$ 14,243	$ 7,423	$ (1,625)	$ 5,798
Chili's other (b)	5,988	(713)	5,275	804	(358)	446
	$ 23,272	$ (3,754)	$ 19,518	$ 8,227	$ (1,983)	$ 6,244
Indefinite-lived intangible assets						
Chili's liquor licenses	$ 9,775			$ 9,466		
Maggiano's liquor licenses	932			932		
	$ 10,707			$ 10,398		

Amortization expense for all definite-lived intangible assets was $1.5 million, $0.8 million and $1.0 million in fiscal 2016, 2015 and 2014, respectively. Annual amortization expense for definite-lived intangible assets will approximate $1.5 million for the next five fiscal years.

(a) The increase in the gross carrying amount reflects an additional $10.4 million of reacquired franchise rights from the acquisition of Pepper Dining. See Note 2 for additional disclosures. Additionally, the gross carrying amount and accumulated amortization include the impact of foreign currency translation on existing balances of $0.3 million and $1.0 million for fiscal 2016 and 2015, respectively. We also recorded an impairment charge of $0.2 million and $0.4 million in fiscal 2016 and fiscal 2015, respectively. See Note 10 for additional disclosures.

(b) The increase in the gross carrying amount reflects an additional $5.5 million of favorable lease assets from the acquisition of Pepper Dining. See Note 2 for additional disclosures.

6. ACCRUED AND OTHER LIABILITIES

Other accrued liabilities consist of the following (in thousands):

	2016	2015
Sales tax	$ 26,280	$ 20,308
Insurance	19,976	22,658
Property tax	15,762	14,224
Dividends	17,760	16,961
Other	41,546	37,046
	$ 121,324	$ 111,197

Other liabilities consist of the following (in thousands):

	2016	2015
Straight-line rent	$ 56,896	$ 56,345
Insurance	38,433	30,988
Landlord contributions	24,681	24,785
Unfavorable leases	6,521	663
Unrecognized tax benefits	5,811	5,144
Other	7,081	7,108
	$ 139,423	$ 125,033

7. INCOME TAXES

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

	2016	2015	2014
Current income tax expense:			
Federal	$ 48,049	$ 59,726	$ 66,170
State	12,203	11,862	15,219
Foreign	3,497	3,319	3,550
Total current income tax expense	63,749	74,907	84,939
Deferred income tax (benefit) expense:			
Federal	21,023	10,754	(18,715)
State	885	2,018	(4,087)
Foreign	(15)	(96)	112
Total deferred income tax (benefit) expense	21,893	12,676	(22,690)
	$ 85,642	$ 87,583	$ 62,249

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

	2016	2015	2014
Income tax expense at statutory rate	$ 100,236	$ 99,497	$ 75,701
FICA tax credit	(20,497)	(18,633)	(18,116)
State income taxes, net of Federal benefit	11,102	8,646	7,636
Other	(5,199)	(1,927)	(2,972)
	$ 85,642	$ 87,583	$ 62,249

The income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities as of June 29, 2016 and June 24, 2015 are as follows (in thousands):

	2016	2015
Deferred income tax assets:		
Leasing transactions	$ 32,132	$ 30,928
Stock-based compensation	12,817	13,105
Restructure charges and impairments	2,439	2,303
Insurance reserves	18,015	18,567
Employee benefit plans	501	470
Gift cards	19,948	18,499
State net operating losses	16,120	16,521
Federal credit carryover	14,722	0
State credit carryover	4,981	4,538
Other, net	6,987	9,804
Less: Valuation allowance	(18,407)	(21,059)
Total deferred income tax assets	110,255	93,676
Deferred income tax liabilities:		
Prepaid expenses	17,360	16,803
Goodwill and other amortization	29,884	27,713
Depreciation and capitalized interest on property and equipment	31,626	12,060
Other, net	4,382	3,963
Total deferred income tax liabilities	83,252	60,539
Net deferred income tax asset	$ 27,003	$ 33,137

The valuation allowance decreased by $2.7 million in fiscal 2016 to recognize certain state net operating loss benefits management believes are more-likely-than-not to be realized.

No provision was made for income taxes which may become payable upon distribution of our foreign subsidiaries' earnings. The cumulative earnings were approximately $5.2 million as of June 29, 2016. It is not practicable to estimate the amount of tax that might be payable because our intent is to permanently reinvest these earnings or to repatriate earnings when it is tax effective to do so.

A reconciliation of unrecognized tax benefits for the fiscal years ended June 29, 2016 and June 24, 2015 are as follows (in thousands):

	2016	2015
Balance at beginning of year	$ 6,088	$ 7,375
Additions based on tax positions related to the current year	1,761	760
Additions based on tax positions related to prior years	1,062	18
Settlements with tax authorities	(2,290)	(371)
Expiration of statute of limitations	(810)	(1,694)
Balance at end of year	$ 5,811	$ 6,088

The total amount of unrecognized tax benefits that would favorably affect the effective tax rate if resolved in our favor due to the effect of deferred tax benefits was $3.9 million and $4.1 million as of June 29, 2016 and June 24, 2015, respectively. During the next twelve months, we anticipate that it is reasonably possible that the amount of unrecognized tax benefits could be reduced by approximately $0.8 million ($0.5 million of which would affect the effective tax rate due to the effect of deferred tax benefits) either because our tax position will be sustained upon audit or as a result of the expiration of the statute of limitations for specific jurisdictions.

We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense. During fiscal 2016, we recognized approximately $1.3 million in interest expense. During fiscal 2015 and 2014, we recognized expenses of approximately $0.2 million and $0.3 million, respectively, in interest due to the reduction of accrued interest from statute expirations and settlements, net of accrued interest for remaining positions. As of June 29, 2016, we had $0.8 million ($0.6 million net of a $0.2 million Federal deferred tax benefit) of interest and penalties accrued, compared to $2.2 million ($1.5 million net of a $0.7 million Federal deferred tax benefit) at June 24, 2015.

8. DEBT

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

	2016	2015
Revolving credit facility	$ 530,250	$ 383,750
3.88% notes	299,796	299,766
2.60% notes	249,934	249,899
Capital lease obligations (see Note 9)	37,532	40,849
	1,117,512	974,264
Less current installments	(3,563)	(3,439)
	$ 1,113,949	$ 970,825

During fiscal 2016, $256.5 million was drawn from the $750 million revolving credit facility primarily to fund the acquisition of Pepper Dining and for share repurchases. We repaid a total of $110.0 million during fiscal 2016.

The maturity date of the $750 million revolving credit facility is March 12, 2020. The revolving credit facility bears interest of LIBOR plus an applicable margin, which is a function of our credit rating and debt to cash flow ratio, but is subject to a maximum of LIBOR plus 2.00%. Based on our current credit rating, we are paying interest at a rate of LIBOR plus 1.18% for a total of 1.64%. One month LIBOR at June 29, 2016 was approximately 0.46%. As of June 29, 2016, $219.8 million of credit is available under the revolving credit facility.

During the first nine months of fiscal 2015, $97.0 million was drawn from the $250 million revolving credit facility primarily to fund share repurchases and we paid the required quarterly term loan payments totaling $18.7 million. In March 2015, we terminated the existing credit facility including both the $250 million revolver and the term loan and entered into a new $750 million revolving credit facility. Approximately $345.8 million was drawn from the new revolver and the proceeds were used to pay off the outstanding balances of the term loan and $250 million revolver in the amount of $168.8 million and $177.0 million, respectively. During the fourth quarter of fiscal 2015, an additional $38.0 million was drawn from the new revolver primarily to fund share repurchases.

In May 2013, we issued $550.0 million of notes consisting of two tranches - $250.0 million of 2.60% notes due in May 2018 and $300.0 million of 3.88% notes due in May 2023. We received proceeds totaling approximately $549.5 million prior to debt issuance costs and utilized the proceeds to redeem the 5.75% notes due in June 2014, pay down the revolver and fund share repurchases. The notes require semi-annual interest payments which began in the second quarter of fiscal 2014.

Our debt agreements contain various financial covenants that, among other things, require the maintenance of certain leverage and fixed charge coverage ratios. We are currently in compliance with all financial covenants.

Excluding capital lease obligations (see Note 9) and interest, our long-term debt maturities for the five years following June 29, 2016 and thereafter are as follows (in thousands):

Fiscal Year	Long-Term Debt
2017	$ 0
2018	249,934
2019	0
2020	530,250
2021	0
Thereafter	299,796
	$ 1,079,980

9. LEASES

(a) Capital Leases

We lease certain buildings under capital leases. The asset value of $38.8 million and $39.0 million at June 29, 2016 and June 24, 2015, and the related accumulated amortization of $24.1 million and $22.1 million at June 29, 2016 and June 24, 2015, respectively, are included in buildings and leasehold improvements. Amortization of assets under capital leases is included in depreciation and amortization expense.

(b) Operating Leases

We lease restaurant facilities and office space under operating leases. The majority having terms expiring at various dates through fiscal 2035. The restaurant leases have cumulative renewal clauses of 1 to 30 years at our option and, in some cases, have provisions for contingent rent based upon a percentage of sales in excess of specified levels, as defined in the leases. We include other rent-related costs in rent expense, such as common area maintenance, taxes and amortization of landlord contributions.

Rent expense consists of the following (in thousands):

	2016	2015	2014
Straight-lined minimum rent	$ 107,776	$ 92,917	$ 90,574
Contingent rent	4,408	4,774	4,737
Other	11,283	9,998	9,817
Total rent expense	$ 123,467	$ 107,689	$ 105,128

(c) Commitments

As of June 29, 2016, future minimum lease payments on capital and operating leases were as follows (in thousands):

Fiscal Year	Capital Leases	Operating Leases
2017	$ 5,954	$ 123,312
2018	5,745	116,418
2019	5,226	95,276
2020	4,853	80,881
2021	4,138	66,293
Thereafter	27,977	156,563
Total minimum lease payments(a)	53,893	$ 638,743
Imputed interest (average rate of 7%)	(16,361)	
Present value of minimum lease payments	37,532	
Less current installments	(3,563)	
	$ 33,969	

(a) Future minimum lease payments have not been reduced by minimum sublease rentals to be received in the future under non-cancelable subleases. The total of undiscounted future sublease rentals are approximately $25.5 million and $47.1 million for capital and operating subleases, respectively.

10. FAIR VALUE DISCLOSURES

(a) Non-Financial Assets Measured on a Non-Recurring Basis

We review the carrying amount of property and equipment and transferable liquor licenses semi-annually or when events or circumstances indicate that fair value may not exceed the carrying amount. We record an impairment charge for the excess of the carrying amount over the fair value.

We determine the fair value of property and equipment based on discounted projected future operating cash flows of the restaurants over their remaining service life using a risk adjusted discount rate that is commensurate with the inherent risk. Based on our semi-annual review, during fiscal 2016, long-lived assets with a carrying value of $7.0 million, primarily related to five underperforming restaurants, were written down to their fair value of $0.2 million resulting in an impairment charge of $6.8 million. During the third quarter of fiscal 2016, two restaurants were identified for closure by management with a combined carrying value of $3.4 million. We determined these restaurants had no fair value resulting in an impairment charge of $3.4 million. In fiscal 2015, long-lived assets with a carrying value of $2.3 million, primarily related to four underperforming restaurants including one restaurant located in Canada, were determined to have no fair value resulting in an impairment charge of $2.3 million.

We determine the fair value of transferable liquor licenses based on prices in the open market for licenses in the same or similar jurisdictions. During fiscal 2016, four transferable liquor licenses with a carrying value of $1.1 million were written down to the fair value of $0.9 million resulting in an impairment charge of $0.2 million. In fiscal 2015, four transferable liquor licenses with a carrying value of $0.8 million were written down to the fair value of $0.6 million resulting in an impairment charge of $0.2 million.

We determine the fair value of reacquired franchise rights based on discounted projected future operating cash flows of the restaurants associated with these franchise rights. We review the carrying amount annually or when events or circumstances indicate that the carrying amount may not be recoverable. If the carrying amount is not recoverable, we record an impairment charge for the excess of the carrying amount over the fair value. During fiscal 2016, we performed the annual review of reacquired franchise rights and determined there was no impairment. Subsequent to the annual review, we performed the semi-annual review of long-lived assets and determined that three restaurants purchased as part of the acquisition of Pepper Dining were fully impaired which indicated that the related reacquired franchise rights had no fair value resulting in an impairment charge of $0.2 million. During fiscal 2015, we performed the annual review of reacquired franchise rights and determined there was no impairment. Subsequent to the annual review, we performed the semi-annual review of long-lived assets and determined that one restaurant located in Canada was fully impaired which indicated that the related reacquired franchise rights had no fair value resulting in an impairment charge of $0.4 million.

During fiscal 2016, we recorded an impairment charge of $0.2 million related to a parcel of undeveloped land that we own. The land had a carrying value of $1.0 million and was written down to the fair value of $0.8 million. The fair value was based on the sales price of comparable properties. Additionally, we recorded an impairment charge of $0.2 million related to a capital lease asset that is subleased to a franchisee. The capital lease asset had a carrying value of $0.3 million and was written down to the fair value of $0.1 million. The fair value of the capital lease asset is based on discounted projected future cash flows from the sublease. We also recorded an impairment charge of $1.0 million related to a cost method investment which we determined to have no fair value.

All impairment charges were included in other gains and charges in the consolidated statements of comprehensive income for the periods presented.

The following table presents fair values for those assets measured at fair value on a non-recurring basis at June 29, 2016 and June 24, 2015 (in thousands):

	Fair Value Measurements Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Long-lived assets held for use:				
At June 29, 2016	$ 0	$ 0	$ 208	$ 208
At June 24, 2015	$ 0	$ 0	$ 0	$ 0
Liquor licenses:				
At June 29, 2016	$ 0	$ 857	$ 0	$ 857
At June 24, 2015	$ 0	$ 550	$ 0	$ 550
Reacquired franchise rights:				
At June 29, 2016	$ 0	$ 0	$ 0	$ 0
At June 24, 2015	$ 0	$ 0	$ 0	$ 0
Other long-lived assets:				
At June 29, 2016	$ 0	$ 750	$ 107	$ 857
At June 24, 2015	$ 0	$ 0	$ 0	$ 0

(b) Other Financial Instruments

Our financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and long-term debt. The fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amounts because of the short maturity of these items. The carrying amount of debt outstanding related to the revolving credit facility approximates fair value as the interest rate on this instrument approximates current market rates (Level 2). The fair values of the 2.60% notes and 3.88% notes are based on quoted market prices and are considered Level 2 fair value measurements.

The carrying amounts and fair values of the 2.60% notes and 3.88% notes are as follows (in thousands):

	June 29, 2016		June 24, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
2.60% Notes	$ 249,934	$ 252,445	$ 249,899	$ 250,583
3.88% Notes	$ 299,796	$ 302,655	$ 299,766	$ 290,706

11. STOCK-BASED COMPENSATION

Our shareholders approved stock-based compensation plans including the Stock Option and Incentive Plan and the Stock Option and Incentive Plan for Non-Employee Directors and Consultants (collectively, the “Plans”). The total number of shares authorized for issuance to employees and non-employee directors and consultants under the Plans is currently 37.3 million. The Plans provide for grants of options to purchase our common stock, restricted stock, restricted stock units, performance shares and stock appreciation rights.

(a) Stock Options

Expense related to stock options issued to eligible employees under the Plans is recognized using a graded-vesting schedule over the vesting period or to the date on which retirement eligibility is achieved, if shorter. Stock options generally vest over a period of 1 to 4 years and have contractual terms to exercise of 8 years. Full or partial vesting of awards may occur upon a change in control (as defined in the Plans), or upon an employee's death, disability or involuntary termination.

Transactions during fiscal 2016 were as follows (in thousands, except option prices):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Options outstanding at June 24, 2015	1,173	$ 33.08		
Granted	347	52.71		
Exercised	(234)	26.23		
Forfeited or canceled	(69)	48.58		
Options outstanding at June 29, 2016	1,217	$ 39.12	4.7	$ 12,074
Options exercisable at June 29, 2016	608	$ 28.29	3.2	$ 11,285

At June 29, 2016, unrecognized compensation expense related to stock options totaled approximately $2.4 million and will be recognized over a weighted average period of 1.6 years. The intrinsic value of options exercised totaled approximately $5.3 million, $28.1 million and $25.7 million during fiscal 2016, 2015 and 2014, respectively. The tax benefit realized on options exercised totaled approximately $1.6 million, $9.2 million and $8.9 million during fiscal 2016, 2015 and 2014, respectively.

(b) Restricted Share Awards

Restricted share awards consist of performance shares, restricted stock and restricted stock units. Performance shares and most restricted stock units issued to eligible employees under the Plans generally vest in full on the third anniversary of the date of grant, while restricted stock units issued to eligible employees under our career equity plan generally vest upon each employee's retirement from the Company. Expense is recognized ratably over the vesting period, or to the date on which retirement eligibility is achieved, if shorter. Restricted stock and restricted stock units issued to non-employee directors under the Plans generally vest in full on the fourth anniversary of the date of grant or upon each director's retirement from the Board and are expensed when granted. Full or partial vesting of awards may occur upon a change in control (as defined in the Plans), or upon an employee's death, disability or involuntary termination.

Transactions during fiscal 2016 were as follows (in thousands, except fair values):

	Number of Restricted Share Awards	Weighted Average Fair Value Per Award
Restricted share awards outstanding at June 24, 2015	1,159	$ 38.44
Granted	324	49.19
Vested	(402)	39.09
Forfeited	(83)	44.44
Restricted share awards outstanding at June 29, 2016	998	$ 42.68

At June 29, 2016, unrecognized compensation expense related to restricted share awards totaled approximately $13.9 million and will be recognized over a weighted average period of 2.1 years. The fair value of shares that vested during fiscal 2016, 2015 and 2014 totaled approximately $23.9 million, $34.2 million and $42.2 million, respectively.

12. SAVINGS PLAN

We sponsor a qualified defined contribution retirement plan covering all employees who have attained the age of twenty-one and have completed one year and 1,000 hours of service. Eligible employees are allowed to contribute, subject to IRS limitations on total annual contributions, up to 50% of their base compensation and 100% of their eligible bonuses, as defined in the plan, to various investment funds. We match in cash at a rate of 100% of the first 3% an employee contributes and 50% of the next 2%

the employee contributes with immediate vesting. In fiscal 2016, 2015 and 2014, we contributed approximately $8.9 million, $8.0 million and $7.4 million, respectively.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest and income taxes is as follows (in thousands):

	2016	2015	2014
Income taxes, net of refunds	$ 45,743	$ 50,437	$ 48,379
Interest, net of amounts capitalized	28,989	26,190	25,476

Non-cash investing and financing activities are as follows (in thousands):

	2016	2015	2014
Retirement of fully depreciated assets	$ 24,806	$ 40,775	$ 64,420
Dividends declared but not paid	18,442	18,132	17,250
Accrued capital expenditures	7,094	4,109	15,703

14. COMMITMENTS AND CONTINGENCIES

In connection with the sale of restaurants to franchisees and brand divestitures, we have, in certain cases, guaranteed lease payments. As of June 29, 2016 and June 24, 2015, we have outstanding lease guarantees or are secondarily liable for $72.9 million and $98.9 million, respectively. This amount represents the maximum potential liability of future payments under the guarantees. These leases have been assigned to the buyers and expire at the end of the respective lease terms, which range from fiscal 2017 through fiscal 2024. In the event of default, the indemnity and default clauses in our assignment agreements govern our ability to pursue and recover damages incurred. No material liabilities have been recorded as of June 29, 2016, as the likelihood of default by the buyers on the assignment agreements was deemed to be less than probable. Our secondary liability position was reduced by approximately $19.0 million in the first quarter of fiscal 2016 related to the Pepper Dining acquisition. See Note 2 for additional disclosures related to the acquisition.

We provide letters of credit to various insurers to collateralize obligations for outstanding claims. As of June 29, 2016, we had $28.1 million in undrawn standby letters of credit outstanding. All standby letters of credit are renewable annually.

Evaluating contingencies related to litigation is a complex process involving subjective judgment on the potential outcome of future events and the ultimate resolution of litigated claims may differ from our current analysis. Accordingly, we review the adequacy of accruals and disclosures pertaining to litigated matters each quarter in consultation with legal counsel and we assess the probability and range of possible losses associated with contingencies for potential accrual in the consolidated financial statements.

In August 2004, certain current and former hourly restaurant team members filed a putative class action lawsuit against us in California Superior Court alleging violations of California labor laws with respect to meal periods and rest breaks, styled as *Hohnbaum, et al. v. Brinker Restaurant Corp., et al.* The parties reached a settlement agreement and in February 2015, we funded the settlement in the amount of $44.0 million against our previously established reserve. We do not expect any further payments related to this matter.

We are engaged in various other legal proceedings and have certain unresolved claims pending. Reserves have been established based on our best estimates of our potential liability in certain of these matters. Based upon consultation with legal counsel, Management is of the opinion that there are no matters pending or threatened which are expected to have a material adverse effect, individually or in the aggregate, on our consolidated financial condition or results of operations.

15. SEGMENT INFORMATION

Our operating segments are Chili's and Maggiano's. The Chili’s segment includes the results of our company-owned Chili’s restaurants in the U.S. and Canada as well as the results from our domestic and international franchise business. The Maggiano’s segment includes the results of our company-owned Maggiano’s restaurants.

Company sales are derived principally from the sales of food and beverages. Franchise and other revenues primarily includes royalties, development fees, franchise fees, banquet service charge income, gift card breakage and discounts, tabletop device revenue, Chili's retail food product royalties and delivery fee income. We do not rely on any major customers as a source of sales and the customers and long-lived assets of our reportable segments are predominantly in the U.S. There were no material transactions among reportable segments.

Our chief operating decision maker uses operating income as the measure for assessing performance of our segments. Operating income includes revenues and expenses directly attributable to segment-level results of operations. Operational expenses include food and beverage costs, restaurant labor costs and restaurant expenses. The following tables reconcile our segment results to our consolidated results reported in accordance with GAAP (in thousands):

	Fiscal Year Ended June 29, 2016			
	Chili's	**Maggiano's**	**Other**	**Consolidated**
Company sales	$ 2,754,904	$ 411,755	$ 0	$ 3,166,659
Franchise and other revenues	68,484	22,346	0	90,830
Total revenues	2,823,388	434,101	0	3,257,489
Operational expenses (a)	2,272,771	364,466	1,635	2,638,872
Depreciation and amortization	131,306	15,046	10,016	156,368
General and administrative	35,845	6,225	85,523	127,593
Other gains and charges	6,973	3,472	6,735	17,180
Total operating costs and expenses	2,446,895	389,209	103,909	2,940,013
Operating income	$ 376,493	$ 44,892	$ (103,909)	$ 317,476
Segment assets	$ 1,218,009	$ 163,753	$ 90,954	$ 1,472,716
Equity method investment (b)	10,257	0	0	10,257
Payments for property and equipment	80,277	17,540	14,971	112,788

(a) Operational expenses includes cost of sales, restaurant labor and restaurant expenses.
(b) The equity method investment of the Mexican joint venture is included within Chili's segment assets. See Note 3 for additional disclosures.

	Fiscal Year Ended June 24, 2015			
	Chili's	Maggiano's	Other	Consolidated
Company sales	$ 2,503,133	$ 401,613	$ 0	$ 2,904,746
Franchise and other revenues	75,860	21,672	0	97,532
Total revenues	2,578,993	423,285	0	3,002,278
Operational expenses (a)	2,044,521	360,903	2,179	2,407,603
Depreciation and amortization	122,093	14,233	8,916	145,242
General and administrative	37,131	6,722	89,614	133,467
Other gains and charges	600	(1,009)	5,173	4,764
Total operating costs and expenses	2,204,345	380,849	105,882	2,691,076
Operating income	$ 374,648	$ 42,436	$ (105,882)	$ 311,202
Segment assets	$ 1,141,025	$ 161,283	$ 133,565	$ 1,435,873
Equity method investment (b)	11,801	0	0	11,801
Payments for property and equipment	114,416	14,408	11,438	140,262

(a) Operational expenses includes cost of sales, restaurant labor and restaurant expenses.
(b) The equity method investment of the Mexican joint venture is included within Chili's segment assets. See Note 3 for additional disclosures.

	Fiscal Year Ended June 25, 2014			
	Chili's	Maggiano's	Other	Consolidated
Company sales	$ 2,443,950	$ 379,119	$ 0	$ 2,823,069
Franchise and other revenues	65,364	21,062	0	86,426
Total revenues	2,509,314	400,181	0	2,909,495
Operational expenses (a)	2,005,795	341,870	2,266	2,349,931
Depreciation and amortization	112,809	13,323	9,949	136,081
General and administrative	34,693	7,145	90,256	132,094
Other gains and charges	6,412	1,052	41,760	49,224
Total operating costs and expenses	2,159,709	363,390	144,231	2,667,330
Operating income	$ 349,605	$ 36,791	$ (144,231)	$ 242,165
Payments for property and equipment	$ 141,709	$ 14,284	$ 5,073	$ 161,066

(a) Operational expenses includes cost of sales, restaurant labor and restaurant expenses.

Reconciliation of operating income to income before provision for income taxes:

	Fiscal Years Ended		
	June 29, 2016	June 24, 2015	June 25, 2014
Operating income	$ 317,476	$ 311,202	$ 242,165
Less interest expense	(32,574)	(29,006)	(28,091)
Plus other, net	1,485	2,081	2,214
Income before provision for income taxes	$ 286,387	$ 284,277	$ 216,288

16. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following table summarizes the unaudited consolidated quarterly results of operations for fiscal 2016 and 2015 (in thousands, except per share amounts):

	Fiscal Year 2016 Quarters Ended			
	Sept. 23	Dec. 23	March 23	June 29
Revenues	$ 762,559	$ 788,610	$ 824,639	$ 881,681
Income before provision for income taxes	$ 48,753	$ 68,272	$ 78,150	$ 91,212
Net income	$ 33,207	$ 47,694	$ 57,502	$ 62,342
Basic net income per share	$ 0.55	$ 0.81	$ 1.01	$ 1.12
Diluted net income per share	$ 0.54	$ 0.80	$ 1.00	$ 1.11
Basic weighted average shares outstanding	60,225	59,198	56,673	55,657
Diluted weighted average shares outstanding	61,208	59,899	57,407	56,394

	Fiscal Year 2015 Quarters Ended			
	Sept. 24	Dec. 24	March 25	June 24
Revenues	$ 711,018	$ 742,898	$ 784,215	$ 764,147
Income before provision for income taxes	$ 47,814	$ 58,744	$ 96,316	$ 81,403
Net income	$ 32,738	$ 41,306	$ 65,427	$ 57,223
Basic net income per share	$ 0.51	$ 0.65	$ 1.04	$ 0.94
Diluted net income per share	$ 0.49	$ 0.64	$ 1.02	$ 0.92
Basic weighted average shares outstanding	64,668	63,590	62,891	61,132
Diluted weighted average shares outstanding	66,263	64,963	64,091	62,294

Net income for fiscal 2016 included restaurant impairment charges of $0.5 million, $3.4 million and $6.7 million recorded in the second, third and fourth quarters, respectively. We also recorded additional lease and other costs associated with closed restaurants of $3.8 million in the fourth quarter of fiscal 2016 related to restaurants closed in prior years. Severance charges of $2.2 million, $0.2 million and $0.9 million were incurred in the first, second and fourth quarters of fiscal 2016, respectively. We incurred expenses of $1.2 million and $0.2 million in the second and fourth quarters, respectively, to reserve for royalties, rent and other outstanding amounts related to a bankrupt franchisee. Additionally, we recorded charges of $0.6 million and $0.1 million in the first and third quarters of fiscal 2016, respectively, for acquisition costs incurred as part of completing the acquisition of Pepper Dining. Net income also included net gains of $2.0 million and $1.2 million related to litigation in the second and fourth quarters, respectively. We also recorded gains on the sale of several properties of $1.8 million and $1.1 million in the first and third quarters of fiscal 2016, respectively.

Net income for fiscal 2015 included a net gain of $2.8 million related to litigation which included antitrust litigation settlement proceeds of $8.6 million, partially offset by a charge of $5.8 million to adjust our previous reserve estimate of final settlement amounts related to various litigation matters. We recorded a charge of $1.1 million in the fourth quarter of fiscal 2015 for acquisition costs incurred prior to completing the acquisition of Pepper Dining. Long-lived asset impairment charges of $0.7 million and $1.5 million were recorded in the second and fourth quarters, respectively. Additionally, net income included lease termination charges of $0.9 million, $0.5 million and $0.5 million in the first, second and fourth quarters of fiscal 2015, respectively, related to restaurants closed in the current year. Severance charges of $0.3 million and $0.9 million were incurred in the second and fourth quarters of fiscal 2015, respectively.

17. SUBSEQUENT EVENTS

Subsequent to the end of the fiscal year, an additional $70.0 million was borrowed from the $750 million revolving credit facility primarily to fund share repurchases. We also made a $20.0 million payment on the revolving credit facility. Subsequent to the end of the fiscal year, we repurchased 699,000 shares for approximately $33.7 million as part of our share repurchase program. We also repurchased approximately 51,000 shares for $2.8 million to satisfy team member tax withholding obligations on the vesting of primarily restricted stock units.

On August 18, 2016, our Board of Directors declared a quarterly dividend of $0.34 per share effective with the September 2016 dividend.

18. EFFECT OF NEW ACCOUNTING STANDARDS

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting (Topic 718). This update was issued as part of the FASB’s simplification initiative and affects all entities that issue share-based payment awards to their employees. The amendments in this update cover such areas as the recognition of excess tax benefits and deficiencies, the classification of those excess tax benefits on the statement of cash flows, an accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification and the classification of those taxes paid on the statement of cash flows. This update is effective for annual and interim periods for fiscal years beginning after December 15, 2016, which will require us to adopt these provisions in the first quarter of fiscal 2018. Early adoption is permitted for financial statements that have not been previously issued. This update will be applied either prospectively, retrospectively or using a cumulative effect transition method, depending on the area covered in this update. We have not yet determined the effect of this update on our ongoing financial reporting.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This update requires a lessee to recognize on the balance sheet a liability to make lease payments and a corresponding right-of-use asset. The update also requires additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases. This update is effective for annual and interim periods for fiscal years beginning after December 15, 2018, which will require us to adopt these provisions in the first quarter of fiscal 2020. Early adoption is permitted for financial statements that have not been previously issued. This update will be applied on a modified retrospective basis. We have not yet determined the effect of this update on our ongoing financial reporting.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. This update requires that debt issuance costs be presented in the balance sheet as a direct deduction from the associated debt liability. This update is effective for annual and interim periods for fiscal years beginning after December 15, 2015, which will require us to adopt these provisions in the first quarter of fiscal 2017. Early adoption is permitted for financial statements that have not been previously issued. This update will be applied on a retrospective basis. The adoption of this update will not have a material impact on our consolidated financial statements. Our current balance of debt issuance costs was approximately $3.3 million at the end of fiscal 2016.

In April 2015, the FASB issued ASU 2015-05, Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. This update provides guidance to customers about whether a cloud computing arrangement includes a software license and the related accounting treatment. This update is effective for annual and interim periods for fiscal years beginning after December 15, 2015, which will require us to adopt these provisions in the first quarter of fiscal 2017. Early adoption is permitted for financial statements that have not been previously issued. This update may be applied prospectively for all arrangements entered into or materially modified after the effective date or on a retrospective basis. We do not expect the adoption of this update to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The FASB has subsequently amended this update by issuing additional ASU's that provide clarification and further guidance around areas identified as potential implementation issues. These updates provide a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. These updates also require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. In August 2015, the FASB issued ASU 2015-14 delaying the effective date of adoption. These updates are now effective for annual and interim periods for fiscal years beginning after December 15, 2017, which will require us to adopt these provisions in the first quarter of fiscal 2019. Early application in fiscal 2018 is permitted. These updates permit the use of either the retrospective or cumulative effect transition method. We do not believe the standard will impact our recognition of revenue from company-owned restaurants or our recognition of royalty fees from franchisees. We are continuing to evaluate the impact the adoption of this standard will have on the recognition of other less significant revenue transactions.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Brinker International, Inc.:

We have audited the accompanying consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 29, 2016 and June 24, 2015, and the related consolidated statements of comprehensive income, shareholders' (deficit) equity, and cash flows for each of the years in the three-year period ended June 29, 2016. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Brinker International, Inc. and subsidiaries as of June 29, 2016 and June 24, 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended June 29, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Brinker International, Inc.'s internal control over financial reporting as of June 29, 2016, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated August 29, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Dallas, TX

August 29, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Brinker International, Inc.:

We have audited Brinker International, Inc.'s internal control over financial reporting as of June 29, 2016, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Brinker International, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Brinker International, Inc. maintained, in all material respects, effective internal control over financial reporting as of June 29, 2016, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 29, 2016 and June 24, 2015, and the related consolidated statements of comprehensive income, shareholders' (deficit) equity, and cash flows for each of the years in the three-year period ended June 29, 2016, and our report dated August 29, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Dallas, TX
August 29, 2016

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

We maintain a system of internal control over financial reporting designed to provide reasonable assurance of the reliability of the consolidated financial statements. Our internal audit function monitors and reports on the adequacy of the compliance of the internal control system and appropriate actions are taken to address control deficiencies and other opportunities for improving the system as they are identified. The Audit Committee of the Board of Directors, which is comprised solely of outside directors, provides oversight to the financial reporting process through periodic meetings with our independent registered public accounting firm, internal auditors, and management. Both our independent registered public accounting firm and internal auditors have free access to the Audit Committee. Although no cost-effective internal control system will preclude all errors and irregularities, we believe our internal control over financial reporting as of and for the year ended June 29, 2016 provide reasonable assurance that the consolidated financial statements are reliable.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting. We have assessed the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, we concluded that our internal control over financial reporting was effective as of June 29, 2016.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projection of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The effectiveness of our internal control over financial reporting as of June 29, 2016 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in its attestation report which is included herein.

/s/ WYMAN T. ROBERTS

WYMAN T. ROBERTS
President and Chief Executive Officer

/s/ THOMAS J. EDWARDS, JR

THOMAS J. EDWARDS, JR
Executive Vice President and Chief Financial Officer

Exhibit 21

BRINKER INTERNATIONAL, INC., A DELAWARE CORPORATION
SUBSIDIARIES

BI INTERNATIONAL SERVICES, LLC, a Delaware limited liability company
BI MEXICO HOLDING CORPORATION, a Delaware corporation
BRINKER RESTAURANT CORPORATION, a Delaware corporation
BRINKER INTERNATIONAL PAYROLL COMPANY, L.P., a Delaware limited partnership
BRINKER AIRPORTS, LLC, a Delaware limited liability company
BRINKER ALABAMA, INC., a Delaware corporation
BRINKER ARKANSAS, INC., a Delaware corporation
BRINKER ASIA, INC., a British Virgin Islands corporation
BRINKER BRAZIL, LLC, a Delaware limited liability company
BRINKER CB, LP, a Texas limited partnership
BRINKER CB MANAGEMENT, LLC, a Delaware limited liability company
BRINKER CANADIAN HOLDING CO., ULC, a British Columbia unlimited liability company
BRINKER CANADIAN RESTAURANT CO., ULC, a British Columbia unlimited liability company
BRINKER FHC B.V., a Netherlands private company
BRINKER FLORIDA, INC., a Delaware corporation
BRINKER FREEHOLD, INC., a New Jersey corporation
BRINKER GEORGIA, INC., a Delaware corporation
BRINKER LOUISIANA, INC., a Delaware corporation
BRINKER MHC B.V., a Netherlands private company
BRINKER MICHIGAN, INC., a Delaware corporation
BRINKER MISSISSIPPI, INC., a Delaware corporation
BRINKER MISSOURI, INC., a Delaware corporation
BRINKER NEVADA, INC., a Nevada corporation
BRINKER NEW JERSEY, INC., a Delaware corporation
BRINKER NORTH CAROLINA, INC., a Delaware corporation
BRINKER OF BALTIMORE COUNTY, INC., a Maryland corporation
BRINKER OF CARROLL COUNTY, INC., a Maryland corporation
BRINKER OF CECIL COUNTY, INC., a Maryland corporation
BRINKER OKLAHOMA, INC., a Delaware corporation
BRINKER OPCO, LLC, a Delaware limited liability company
BRINKER PENN TRUST, a Pennsylvania business trust
BRINKER PURCHASING, INC., a Delaware corporation
BRINKER RHODE ISLAND, INC., a Rhode Island corporation
BRINKER SERVICES CORPORATION, a Florida corporation
BRINKER SOUTH CAROLINA, INC., a Delaware corporation
BRINKER TEXAS, INC., a Delaware corporation
BRINKER VIRGINIA, INC., a Delaware corporation
CHILI’S BEVERAGE COMPANY, INC., a Texas corporation
CHILI’S, INC., a Delaware corporation
CHILI’S, INC., a Tennessee corporation
CHILI’S INTERNATIONAL BASES, B.V., a Netherlands private company
CHILI’S OF BEL AIR, INC., a Maryland corporation
CHILI’S OF KANSAS, INC., a Kansas corporation
CHILI’S OF MARYLAND, INC., a Maryland corporation
CHILI’S OF WEST VIRGINIA, INC., a West Virginia corporation
LAS NUEVAS DELICIAS GASTRONOMICAS, S. de R.L. de C.V.
MAGGIANO’S, INC., an Illinois corporation
MAGGIANO’S BEVERAGE COMPANY, a Texas corporation
MAGGIANO’S HOLDING CORPORATION, a Delaware corporation
MAGGIANO'S OF ANNAPOLIS, INC., a Maryland corporation
MAGGIANO'S OF HOWARD COUNTY, INC., a Maryland corporation
MAGGIANO'S OF KANSAS, INC., a Kansas corporation
MAGGIANO’S OF TYSON’S, INC., a Virginia corporation
MAGGIANO’S TEXAS, INC., a Delaware corporation
PEPPER DINING HOLDING CORP., a Delaware corporation
PEPPER DINING, INC., a Delaware corporation
PEPPER DINING VERMONT, INC., a Vermont corporation
BIPC GLOBAL PAYROLL COMPANY, LLC, a Delaware limited liability company
BIPC MANAGEMENT, LLC, a Delaware limited liability company
BIPC ME DMCC, a Dubai Free-Zone company
BIPC INVESTMENTS, LLC, a Delaware limited liability company
BRINKER FAMILY FUND, INC., a Delaware non-profit corporation

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors

Brinker International, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 33-56491, 333-02201, 333-93755, 333-42224, 333-105720, 333-125289, 333-157050 and 333-201929) on Form S-8; registration statements (Nos. 333-74902 and 333-188252) on Form S-3; and registration statement (No. 333-116879) on Form S-4 of Brinker International, Inc. of our reports dated August 29, 2016, with respect to the consolidated balance sheets of Brinker International, Inc. and subsidiaries, as of June 29, 2016 and June 24, 2015, and the related consolidated statements of comprehensive income, shareholders' (deficit) equity, and cash flows for each of the years in the three-year period ended June 29, 2016, and the effectiveness of internal control over financial reporting as of June 29, 2016, which reports appear in the 2016 annual report on Form 10-K of Brinker International, Inc.

/s/ KPMG LLP

Dallas, Texas

August 29, 2016

Exhibit 31(a)

CERTIFICATION

I, Wyman T. Roberts, certify that:

1. I have reviewed this Annual Report on Form 10-K of Brinker International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally acceptable accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 29, 2016

/S/ WYMAN T. ROBERTS

Wyman T. Roberts,
President & Chief Executive Officer
(Principal Executive Officer)

Exhibit 31(b)

CERTIFICATION

I, Thomas J. Edwards, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Brinker International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally acceptable accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 29, 2016

/S/ THOMAS J. EDWARDS, JR.

Thomas J. Edwards, Jr.
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32(a)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the "Company"), hereby certifies that the Company's Annual Report on Form 10-K for the year ended June 29, 2016 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 29, 2016

By:	/S/ WYMAN T. ROBERTS
Name:Title:	*Wyman T. Roberts,* *President & Chief Executive Officer* *(Principal Executive Officer)*

Exhibit 32(b)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the "Company"), hereby certifies that the Company's Annual Report on Form 10-K for the year ended June 29, 2016 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 29, 2016

By:	/S/ THOMAS J. EDWARDS, JR.
Name:	*Thomas J. Edwards, Jr.*
Title:	*Executive Vice President and Chief Financial Officer (Principal Financial Officer)*