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 30, 1999   Commission File No. 1-10275

BRINKER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	75-1914582
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
6820 LBJ Freeway, Dallas, Texas	75240
(Address of principal executive offices)	(Zip Code)

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

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

The aggregate market value of the voting stock held by persons other than directors and officers of registrant (who might be deemed to be affiliates of registrant) at September 7, 1999 was $1,564,286,335.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at September 7, 1999
Common Stock, $0.10 par value	65,820,477 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Annual Report to Shareholders for the fiscal year ended June 30, 1999 are incorporated by reference into Parts I, II and IV hereof, to the extent indicated herein. Portions of the registrant's Proxy Statement dated September 24, 1999, for its annual meeting of shareholders on November 4, 1999, are incorporated by reference into Part III hereof, to the extent indicated herein.

PART I

Item 1. BUSINESS.

General

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

Core Restaurant Concepts

Chili's Grill & Bar

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

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

Emphasis is placed on serving substantial portions of fresh, high quality food at modest prices. Entree selections range in menu price from $4.99 to $12.99, with the average revenue per meal, including alcoholic beverages, approximating $10.10 per person. A full-service bar is available at each Chili's restaurant, with frozen margaritas offered as the concept's specialty drink. During the year ended June 30, 1999, food and non-alcoholic beverage sales constituted approximately 86.5% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 13.5%.

Romano's Macaroni Grill

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

Entree selections range in menu price from $5.29 to $16.99 with certain specialty items priced on a daily basis. The average revenue per meal, including alcoholic beverages, is approximately $13.70 per person. During the year ended June 30, 1999, food and non-alcoholic beverage sales constituted approximately 85.9% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 14.1%.

On The Border Mexican Grill & Cantina

On The Border restaurants are full-service, casual Mexican theme restaurants featuring mesquite-grilled specialties and traditional Tex-Mex entrees and appetizers served in generous portions at modest prices. On The

Border restaurants feature an outdoor patio, a full-service bar, booth and table seating and brick and wood walls with a Southwest decor. On The Border restaurants also offer enthusiastic table service intended to minimize customer waiting time and facilitate table turnover while simultaneously providing customers with a satisfying casual dining experience.

Entree selections range in menu price from $5.55 to $12.99, with the average revenue per meal, including alcoholic beverages, approximating $11.93 per person. During the year ended June 30, 1999, food and non-alcoholic beverage sales constituted approximately 78.7% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 21.3%.

Cozymel's Coastal Mexican Grill

Cozymel's restaurants are casual, upscale authentic coastal Mexican theme restaurants featuring fish, chicken, beef and pork entrees, appetizers, desserts and a full-service bar featuring a wide variety of signature margaritas and specialty frozen beverages. Cozymel's restaurants offer a "tropical, not typical" Mexican atmosphere, which includes an outdoor patio, intended to evoke memories of Mexican sunsets, warm beaches, and festive celebrations.

Entree selections range in menu price from $5.99 to $15.49 with the average revenue per meal, including alcoholic beverages, approximating $13.99 per person. During the year ended June 30, 1999, food and non-alcoholic beverage sales constituted approximately 75.9% of the concept's total restaurant revenues, with alcoholic beverages accounting for the remaining 24.1%.

Maggiano's Little Italy

Maggiano's restaurants are classic re-creations of a New York City pre-war "Little Italy" dinner house. Each of the Maggiano's restaurants is a casual, full-service Italian restaurant with a full lunch and dinner menu, a family-style menu, and extensive banquet facilities, offering southern Italian appetizers, homemade bread, large portions of pasta, chicken, seafood, veal and steak, and a full range of alcoholic beverages. Entree selections range in menu price from $6.95 to $29.95, with the average revenue per meal, including alcoholic beverages, approximating $24.22 per person. During the year ended June 30, 1999, food and non-alcoholic beverage sales constituted approximately 78.8% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 21.2%.

Corner Bakery Cafe

The Corner Bakery is designed as a retail bakery in the traditional, Old World bread bakery style. The Corner Bakery offers handmade products - muffins, brownies, cookies and specialty items, as well as hearth-baked loaves, rolls and baguettes, all of which are created fresh daily by artisan bakers. The breads offered by the Corner Bakery include baguettes, crusty country boules, and specialty breads such as raisin-pecan, Kalamata olive ciabatta, chocolate sour-cherry, cranberry-orange, multi-grain harvest, and ryes. In addition, the Corner Bakery also offers pizza, sandwiches, soups and salads.

While retaining an atmosphere of a working Old World bakery, the Corner Bakery exemplifies casual elegance, with most bakeries having both indoor and outdoor seating. In addition to breads, breakfast and dessert sweets, featured in the restaurants are chef-prepared fresh salads, soups, sandwiches and pizzas. New savory foods, breads and sweets are created seasonally to take advantage of the highest quality ingredients available. The Corner Bakery's catering group offers a wide range of gift baskets, trays and lunch boxes for any scale from large corporate events to a small, personal brunch. Prices for menu items range from $1.00 to $7.95 with the average revenue per meal, including alcoholic beverages, approximating $7.94 per person. During the year ended June 30, 1999, food and non-alcoholic beverage sales constituted over 99% of the concept's total restaurant revenues. Catering sales constituted approximately 10.1% of such food and non-alcoholic beverage sales.

Jointly-Developed Restaurant Concepts

Eatzi's Market and Bakery

Eatzi's is a home meal replacement retail store which offers customers almost everything in the meal spectrum, from fresh produce and raw meats and seafood to high-quality, chef-prepared meals-to-go. Eatzi's also provides a tremendous variety of "made from scratch" breads and pastries along with dry groceries, deli meats and cheeses, made-to-order salads and sandwiches, and fresh cut flowers. Large selections of non-alcoholic beverages, wine, and "create your own six-pack" beer are available to complete the meal.

Eatzi's features an abundance of fresh, high-quality meals, openly presented in distinctive areas, replicating an energetic European marketplace with an exhibition kitchen and bakery. The circular chef's display case is the focal point of the store designed to channel customer traffic around to other departments. There is limited indoor and outdoor seating since the emphasis is on take-out purchases. The chefs are professionally dressed in white chef's coats and hats with black and white houndstooth pants. Retail service personnel wear black pants, white, banded collar shirts and green aprons.

Emphasis is placed on restaurant-quality cuisine, prepared fresh daily by highly skilled and culinary-trained chefs using Eatzi's unique recipes. Certain designated menu items are rotated periodically to provide variety and to augment the core menu. Corporate chefs are constantly developing and testing new recipes to ensure high-quality and ample variety in addition to keeping ahead of the customer's changing taste profiles. Individual meal selections range in price from $3.99 to $10.99 with the average revenue per purchase, including alcoholic beverages, approximating $15.47. During the year ended June 30, 1999, food and non-alcoholic beverage sales constituted 95.4% of the concept's total revenues, with alcoholic beverages accounting for the remaining 4.6%. Catering sales constituted approximately 15.4% of such food and non-alcoholic beverage sales.

Big Bowl

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

While honoring its Asian culinary tradition, Big Bowl strives to deliver fine quality at great value, assisted by a service team carefully trained to guide guests through this new culinary experience. Entree selections range in menu price from $6.95 to $12.95, with the average revenue per meal, including alcoholic beverages, approximating $13.46 per person. During the year ended June 30, 1999, food and non-alcoholic beverage sales constituted approximately 87.0% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 13.0%.

Wildfire

Wildfire restaurants are authentic 1940's style steak houses featuring an open kitchen consisting of a hardwood burning oven and rotisserie. Each of the Wildfire restaurants is a casual, full-service restaurant offering broiled steaks, chops, fresh seafood, barbecued ribs, pizza, spit-roasted chicken, salads to share, and a full line of cocktails with a complete wine list to complement the menu. Entree selections range from $12.95 to $26.95, with the average revenue per meal, including alcoholic beverages, approximating $24.92 per person. During the year ended June 30, 1999, food and non-alcoholic beverage sales constituted approximately 77.4% of the concept's total restaurant revenues, with alcoholic beverages accounting for the remaining 22.6%.

Business Development

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

The Company considers the restaurant site selection process critical to its long-term success and devotes significant effort to the investigation of new locations utilizing a variety of sophisticated analytical techniques. The site selection process focuses on a variety of factors including: trading-area demographics, such as target population density and household income levels; an evaluation of site characteristics such as visibility, accessibility and traffic volume; proximity to activity centers such as shopping malls, hotel/motel complexes and offices; and an analysis of the potential competition. Members of management inspect and approve each restaurant site prior to its acquisition.

The Company periodically reevaluates restaurant sites to ensure that site selection attributes have not deteriorated below minimum standards. In the event site deterioration were to occur, the Company makes a concerted effort to improve the restaurant's performance by providing physical, operating and marketing enhancements unique to each restaurant's situation. If efforts to restore the restaurant's performance to acceptable minimum standards are unsuccessful, the Company considers relocation to a proximate, more desirable site, or evaluates closing the restaurant if the Company's criteria, such as return on investment and area demographic data, do not support a relocation. Since inception, the Company has closed twenty-four restaurants, including five in fiscal 1999, which were performing below the Company's standards primarily due to declining trading-area demographics. The Company operates pursuant to a strategic plan targeted to support the Company's long-term growth objectives, with a focus on continued development of those restaurant concepts that have the greatest return potential for the Company and its shareholders.

The following table illustrates the system-wide restaurants opened in fiscal 1999 and the planned openings in fiscal 2000:

	Fiscal 1999 Openings	Fiscal 2000 Projected Openings
Chili's:		
Company-Operated	27	35
Franchise	32	40
Macaroni Grill:		

Company-Operated	17	20
Franchise	1	2
On The Border:		
Company-Operated	18	20
Franchise	8	8
Cozymel's	1	0
Maggiano's	3	2
Corner Bakery	22	8
Eatzi's	3	0
Big Bowl	2	2
Wildfire	2	0
TOTAL	136	137

The Company anticipates that some of the fiscal 2000 projected restaurant openings will be constructed pursuant to "build-to-suit" agreements, in which the lessor contributes the land cost and all, or substantially all, of the building construction costs. In other cases, the Company may either lease or own the land (paying for any owned land from its own funds) and either lease or own the building, furniture, fixtures and equipment (paying for any owned items from its own funds).

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

	Chili's	Macaroni Grill	On The Border	Cozymel's	Maggiano's	Corner Bakery
Land	$ 650,000	$1,000,000	$ 800,000	$1,000,000	$3,000,000	$ 800,000
Building	1,070,000	1,300,000	1,300,000	1,500,000	3,300,000	650,000
Furniture & Equipment	450,000	600,000	625,000	700,000	1,200,000	325,000
Other	60,000	100,000	90,000	100,000	130,000	50,000
TOTAL	$2,230,000	$3,000,000	$2,815,000	$3,300,000	$7,630,000	$1,825,000

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

Joint Venture and Franchise Operations

The Company intends to continue its expansion through joint venture and franchise development, both domestically and internationally. During the year ended June 30, 1999, thirty-two Chili's, one Macaroni Grill, and eight On The Border franchised restaurants were opened.

The Company has entered into international franchise agreements which will bring Chili's to Guatamala and Saudi Arabia and Macaroni Grill to Mexico in the 2000 fiscal year. In fiscal 1999, the first Chili's restaurants opened in Austria (July 1998), Venezuela (December 1998), Lebanon (January 1999), and Bahrain (May 1999), and the first Macaroni Grill restaurant opened in Great Britain (March 1999).

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

The Company has previously entered into agreements for research and development activities related to the testing of new restaurant concepts and has a significant equity interest in such ventures. The Company currently owns an 18% interest in the legal entity owning the five Eatzi's stores currently operating in Dallas and Houston, Texas, Atlanta, Georgia, New York City, New York, and Rockville, Maryland. In addition, the Company holds a 50% interest in the legal entity owning the four Big Bowl restaurants located in Chicago and Lincolnshire, Illinois and Edina, Minnesota and a 13% interest in the legal entity owning the three Wildfire restaurants located in Chicago and Lincolnshire, Illinois.

At June 30, 1999, thirty-nine total joint venture or franchise development agreements existed. The Company anticipates that an additional forty franchised Chili's, two franchised Macaroni Grill, and eight franchised On The Border restaurants will be opened during fiscal 2000. In addition, the Company anticipates that two Big Bowl restaurants will be opened during fiscal 2000.

Restaurant Management

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

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

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

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

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

Purchasing

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

Advertising and Marketing

The Company's concepts generally focus on the 18 to 54 year old age group, which constitutes approximately half of the United States population. Members of this population segment grew up on fast food, but the Company believes that, with increasing maturity, they prefer a more adult, upscale dining experience. To attract this target group, the Company relies primarily on television, radio, direct mail advertising and word-of-mouth information communicated by customers.

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

Employees

At June 30, 1999, the Company employed approximately 62,300 persons, of whom approximately 900 were corporate personnel, 3,600 were restaurant area directors, managers or trainees and 57,800 were employed in non-management restaurant positions. The executive officers of the Company have an average of approximately 20 years of experience in the restaurant industry.

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

Trademarks

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

Risk Factors/Forward-Looking Statements

The Company wishes to caution readers that the following important factors, among others, could cause the actual results of the Company to differ materially from those indicated by forward-looking statements made in this report and from time to time in news releases, reports, proxy statements, registration statements and other written communications, as well as oral forward-looking statements made from time to time by representatives of the Company. Such forward-looking statements involve risks and uncertainties, include matters such as future economic performance, restaurant openings, operating margins, the availability of acceptable real estate locations for new restaurants, the sufficiency of the Company's cash balances and cash generated from operating and financing activities for the Company's future liquidity and capital resource needs, and other matters, and are generally accompanied by words such as "believes," "anticipates," "estimates," "predicts," "expects" and similar expressions that convey the uncertainty of future events or outcomes.

Competition. The restaurant business is highly competitive with respect to price, service, restaurant location and food quality, and is often affected by changes in consumer tastes, economic conditions, population and traffic patterns. The Company competes within each market with locally-owned restaurants as well as national and regional restaurant chains, some of which operate more restaurants and have greater financial resources and longer operating histories than the Company. There is active competition for management personnel and for attractive commercial real estate sites suitable for restaurants. In addition, factors such as inflation, increased food, labor and benefits costs, and difficulty in attracting hourly employees may adversely affect the restaurant industry in general and the Company's restaurants in particular.

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

Governmental Regulations. Each of the Company's restaurants is subject to licensing and regulation by alcoholic beverage control, health, sanitation, safety and fire agencies in the state and/or municipality in which the restaurant is located. The Company has not encountered any difficulties or failures in obtaining the required licenses or approvals that could delay or prevent the opening of a new restaurant and does not, at this time, anticipate any occurring in the future.

The Company is subject to federal and state environmental regulations, but these have not had a material negative effect on the Company's operations. More stringent and varied requirements of local and state governmental bodies with respect to zoning, land use and environmental factors could delay or prevent development of new restaurants in particular locations. The Company is subject to the Fair Labor Standards Act which governs such matters as minimum wages, overtime and other working conditions, along with the American With Disabilities Act and various family leave mandates. Although the Company expects increases in payroll expenses as a result of federal and state mandated increases in the minimum wage, such increases are not expected to be material. However, the Company is uncertain of the repercussion, if any, on other expenses as vendors are impacted by higher minimum wage standards.

Inflation. The Company has not experienced a significant overall impact from inflation. As operating expenses increase, the Company, to the extent permitted by competition, recovers increased costs by increasing menu prices or by reviewing, then implementing, alternative products or processes.

Year 2000. The Year 2000 will have a broad impact on the business environment in which the Company operates due to the possibility that many computerized systems across all industries will be unable to process information containing dates beginning in the Year 2000. The Company has established an enterprise-wide program to prepare its computer systems and applications for the Year 2000 and is utilizing both internal and external resources to identify, correct and test the systems for Year 2000 compliance. The Company's domestic reprogramming and testing efforts have been substantially completed. The Company expects that all mission-critical systems will be Year 2000 ready prior to October 31, 1999.

The nature of the Company's business is such that the business risks associated with the Year 2000 can be reduced by assessing the vendors supplying the Company's restaurants with food and related products and also assessing the Company's franchise and joint venture business partners to ensure that they are aware of the Year 2000 business risks and are appropriately addressing them.

Because third party failures could have a material impact on the Company's ability to conduct business, questionnaires have been sent to substantially all of the Company's critical vendors to obtain reasonable assurance that plans are being developed to address the Year 2000 issue. The returned questionnaires have been assessed by the Company, categorized based upon readiness for the Year 2000 issues, and prioritized in order of significance to the business of the Company. The Company has established contingency plans (including continued efforts to evaluate Year 2000 readiness of existing vendors or identification of alternative vendors) responding to those high risk, critical vendors which have not provided the Company with satisfactory evidence of their readiness to handle Year 2000 issues. Furthermore, the Company will continue to monitor all critical vendors to ensure their Year 2000 readiness.

Based upon questionnaires returned by the Company's franchise business partners and direct communications with the Company's joint venture business partners, the Company has assessed the Year 2000 readiness of these business partners and has implemented an action plan involving direct communication and the sharing of information associated with the Year 2000 issue.

The Company has completed the inventory and assessment phases of its evaluation of all information technology and non-information technology equipment. Based upon results of the assessment, all mission-critical equipment that is not Year 2000 ready will be fixed or upgraded by October 31, 1999.

The enterprise-wide program, including testing and remediation of all of the Company's systems and applications, the cost of external consultants, the purchase of software and hardware, and the compensation of internal employees working on Year 2000 projects, is expected to cost approximately $3.5 to $4.0 million (except for fringe benefits of internal employees, which are not separately tracked) from inception in calendar year 1997 through completion in fiscal 2000. Of these costs, approximately $750,000 was incurred during fiscal 1998, and approximately $1.6 million was incurred during fiscal 1999. The remaining costs will be incurred in fiscal 2000. All estimated costs have been budgeted and are expected to be funded by the Company's available cash.

The Company anticipates timely completion of the internal Year 2000 readiness efforts and does not believe the costs related to the Year 2000 readiness project will be material to its financial position or results of operations. However, if unanticipated problems arise from systems or equipment, there could be material adverse effects on the Company's consolidated financial position, results of operations and cash flows. As part of the Year 2000 readiness efforts, the Company has developed contingency plans which will need to be activated in the event of internal systems failures, but may be modified as additional information becomes available. Although the questionnaires and other communications received by the Company from its significant vendors have not disclosed any material Year 2000 issues, there is no assurance that these vendors will be Year 2000 ready on a timely basis. Unanticipated failures or significant delays in furnishing products or services by significant vendors could have a material adverse effect on the Company's consolidated financial position, results of operations and cash flows. Where predictable, the Company is assessing and attempting to mitigate its risks with respect to the failure of its significant vendors to be Year 2000 ready as part of its ongoing contingency planning.

Despite the Company's diligent preparation, some of the Company's internal systems or equipment may fail to operate properly, and some of its significant vendors may fail to perform effectively or may fail to timely or completely deliver products. In those circumstances, the Company expects to be able to conduct necessary business operations and to obtain necessary products from alternative vendors, and business operations would generally continue; however, there would be some disruption which could have a material adverse effect on the Company's consolidated financial position, results of operations and cash flows. Similarly, if the Company's franchise and joint venture business partners sustain disruptions in their business operations or there are any unanticipated general public infrastructure failures, there could be a material adverse effect on the Company's consolidated financial position, results of operations and cash flows. The Company has no basis upon which to reasonably analyze the direct or indirect effects on its guests from Year 2000 issues or experiences.

Other Risk Factors. Other risk factors that could cause the Company's actual results to differ materially from those indicated in the forward-looking statements include, without limitation, changes in economic conditions, consumer perceptions of food safety, changes in consumer tastes, governmental monetary policies, changes in demographic trends, availability of employees, and weather and other acts of God.

Item 2. PROPERTIES.

Restaurant Locations

At June 30, 1999, the Company's system of company-operated, joint venture and franchised units included 933 restaurants located in forty-seven states, Washington, D.C., Australia, Austria, Bahrain, Canada, Egypt, France, Great Britain, Indonesia, Kuwait, Lebanon, Malaysia, Mexico, Peru, Philippines, Puerto Rico, South Korea, United Arab Emirates, and Venezuela. The Company's portfolio of restaurants is illustrated below:

Chili's:	
Company-Operated	439
Franchise	187
Macaroni Grill:	
Company-Operated	128
Franchise	3
On The Border:	
Company-Operated	68
Franchise	23
Cozymel's	13
Maggiano's	10
Corner Bakery	49
Eatzi's	6
Big Bowl	4
Wildfire	3
TOTAL	933

The 626 Chili's restaurants include domestic locations in forty-seven states and the District of Columbia and foreign locations in eighteen countries. The 131 Macaroni Grill restaurants include domestic locations in thirty-five states and foreign locations in Canada and Great Britain. The On The Border, Cozymel's, Maggiano's, Corner Bakery, Big Bowl and Wildfire restaurants, and Eatzi's markets, are located exclusively within the United States in twenty-seven, eight, six (and the District of Columbia), seven

(and the District of Columbia), two, one, and four states, respectively. Subsequent to the end of the fiscal year, the Chili's restaurant located in France was closed.

Restaurant Property Information

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

	Chili's	Macaroni Grill	On The Border	Cozymel's	Maggiano's
Square Feet	5,532-5,984	6,180-7,638	6,505-7,039	8,939	18,516-23,913
Dining Seats	162-254	228-268	218-262	382	609-788
Dining Tables	49-53	49-60	54-62	84	140-168

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

Certain of the Company's restaurants are leased for an initial term of five to thirty years, with renewal terms of one to thirty years. The leases typically provide for a fixed rental plus percentage rentals based on sales volume. At June 30, 1999, the Company owned the land and/or building for 468 of the 707 Company-operated restaurants. The Company considers that its properties are suitable, adequate, well-maintained and sufficient for the operations contemplated.

Other Properties

The Company leases warehouse space totalling approximately 39,150 square feet in Dallas, Texas, which it uses for storage of equipment and supplies. The Company purchased an office building containing approximately 105,000 square feet for its corporate headquarters in July 1989. This office building was expanded in May 1997 by the addition of a 2,470 square foot facility used for menu development activities. In January 1996, the Company purchased an additional office complex containing three buildings and approximately 198,000 square feet for the expansion of its corporate headquarters. Approximately 69,410 square feet of this complex is currently utilized by the Company, with the remaining 128,590 square feet under lease, listed for lease to third party tenants, or reserved for future expansion of the Company headquarters. In November 1997, the Company sold the office complex and is leasing it back under a twenty year operating lease. The Company also leases office space in California, Florida, Georgia, Illinois, New Jersey and Texas for use as regional operation or real estate/construction offices. The size of these office leases range from 1,000 square feet to 3,600 square feet. The Company owns or leases warehouse space in California, Georgia, Illinois, Maryland and Texas for use as commissaries for the preparation of bread and other food products for its Corner Bakery stores. The size of these commissaries range from 11,383 square feet to 20,000 square feet.

Item 3. LEGAL PROCEEDINGS.

None.

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

None.

PART II

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

The Company's Common Stock is traded on the New York

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

Fiscal year ended June 30, 1999:

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

Fiscal year ended June 24, 1998:

First Quarter	17.50	13.81
Second Quarter	17.81	13.94
Third Quarter	21.63	15.06
Fourth Quarter	24.31	18.56

As of September 7, 1999, there were 1,397 holders of record of the Company's Common Stock.

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

During the three-year period ending on September 7, 1999, the Company issued no securities which were not registered under the Securities Act of 1933, as amended.

Item 6. SELECTED FINANCIAL DATA.

"Selected Financial Data" on page 29 of the Company's 1999 Annual Report to Shareholders is incorporated herein by reference.

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

"Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 30 through 37 of the Company's 1999 Annual Report to Shareholders is incorporated herein by reference.

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

"Quantitative and Qualitative Disclosures About Market Risk" contained within "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 36 through 37 of the Company's 1999 Annual Report to Shareholders is incorporated herein by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See Item 14(a)(1).

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

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

"Directors and Executive Officers" on pages 4 through 9 and "Section 16(a) Beneficial Ownership Reporting Compliance" on page 15 of the Company's Proxy Statement dated September 24, 1999 for the annual meeting of shareholders on November 4, 1999, are incorporated herein by reference.

Item 11. EXECUTIVE COMPENSATION INFORMATION.

"Executive Compensation" on pages 9 through 11 and "Report of the Compensation Committee" on pages 11 through 14 of the Company's Proxy Statement dated September 24, 1999, for the annual meeting of shareholders on November 4, 1999, are incorporated herein by reference.

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

"Principal Shareholders" on page 2 and "Security Ownership of Management and Election of Directors" on pages 3 through 4 of the Company's Proxy Statement dated September 24, 1999, for the annual meeting of shareholders on November 4, 1999, are incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

"Certain Transactions" on pages 15 through 16 of the Company's Proxy Statement dated September 24, 1999, for the annual meeting of shareholders on November 4, 1999, is incorporated herein by reference.

PART IV

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

(a) (1) Financial Statements.

Reference is made to the Index to Financial Statements attached hereto on page 19 for a listing of all financial statements incorporated herein from the Company's 1999 Annual Report to Shareholders.

(a) (2) Financial Statement Schedules.

None.

(a) (3) Exhibits.

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

(b) Reports on Form 8-K

The Company was not required to file a current report on Form 8-K during the fiscal quarter ended June 30, 1999.

SIGNATURES

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

BRINKER INTERNATIONAL, INC.,
a Delaware corporation

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

Dated: September 24, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons of the registrant and in the capacities indicated on September 24, 1999.

Name	Title
____________________ Ronald A. McDougall	Vice Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
____________________ Russell G. Owens	Executive Vice President, and Chief Financial and Strategic Officer (Principal Financial and Accounting Officer)
____________________ Norman E. Brinker	Chairman of the Board
____________________ Donald J. Carty	Director
____________________ Dan W. Cook, III	Director
____________________ Marvin J. Girouard	Director
____________________ J.M. Haggar, Jr.	Director
____________________ Frederick S. Humphries	Director
____________________ Ronald Kirk	Director
____________________ Jeffrey A. Marcus	Director
____________________ James E. Oesterreicher	Director
____________________ Roger T. Staubach	Director

INDEX TO FINANCIAL STATEMENTS

The following is a listing of the financial statements which are incorporated herein by reference. The financial statements of the Company included in the Company's 1999 Annual Report to Shareholders are incorporated herein by reference in Item 8.

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

INDEX TO EXHIBITS

Exhibit	
3(a)	Certificate of Incorporation of the registrant, as amended. (1)
3(b)	Bylaws of the registrant. (1)
10(a)	Registrant's 1983 Incentive Stock Option Plan. (2)
10(b)	Registrant's 1991 Stock Option Plan for Non-Employee Directors and Consultants. (3)
10(c)	Registrant's 1992 Incentive Stock Option Plan. (3)
10(d)	Registrant's Stock Option and Incentive Plan. (4)
13	1999 Annual Report to Shareholders. (5)
21	Subsidiaries of the registrant. (4)
23	Independent Auditors' Consent. (4)
27	Financial Data Schedule. (6)
99	Proxy Statement of registrant dated September 24, 1999. (5)

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

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

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

(4) Filed herewith.

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

(6) Filed with EDGAR version.

EXHIBIT 13
SELECTED FINANCIAL DATA
(In thousands, except per share amounts and number of restaurants)

	Fiscal Years				
	1999(a)	1998	1997	1996	1995
Income Statement Data:					
Revenues	$1,870,554	$1,574,414	$1,335,337	$1,162,951	$1,042,199
Operating Costs and Expenses:					
Cost of Sales	507,103	426,558	374,525	330,375	283,417
Restaurant Expenses	1,036,573	866,143	720,769	620,441	540,986
Depreciation and Amortization	82,385	86,376	78,754	64,611	58,570
General and Administrative	90,311	77,407	64,404	54,271	50,362
Restructuring Charge	-	-	-	50,000	-
Total Operating Costs and Expenses	1,716,372	1,456,484	1,238,452	1,119,698	933,335
Operating Income	154,182	117,930	96,885	43,253	108,864
Interest Expense	9,241	11,025	9,453	4,579	595
Gain on Sales of Concepts	-	-	-	(9,262)	-
Other, Net	14,402	1,447	(3,553)	(4,201)	(3,151)
Income Before Provision for Income Taxes and Cumulative Effect of Accounting Change	130,539	105,458	90,985	52,137	111,420
Provision for Income Taxes	45,297	36,383	30,480	17,756	38,676
Income Before Cumulative Effect of Accounting Change	85,242	69,075	60,505	34,381	72,744
Cumulative Effect of Accounting Change	6,407	-	-	-	-
Net Income	$ 78,835	$ 69,075	$ 60,505	$ 34,381	$ 72,744
Basic Earnings Per Share:					
Income Before Cumulative Effect of Accounting Change	$ 1.30	$ 1.05	$ 0.82	$ 0.45	$ 1.01
Cumulative Effect of Accounting Change	0.10	-	-	-	-
Basic Net Income Per Share	$ 1.20	$ 1.05	$ 0.82	$ 0.45	$ 1.01
Diluted Earnings Per Share:					
Income Before Cumulative Effect of Accounting Change	$ 1.25	$ 1.02	$ 0.81	$ 0.44	$ 0.98
Cumulative Effect of Accounting Change	0.09	-	-	-	-
Diluted Net Income Per Share	$ 1.16	$ 1.02	$ 0.81	$ 0.44	$ 0.98
Basic Weighted Average Shares Outstanding	65,926	65,766	73,682	76,015	71,764
Diluted Weighted Average Shares Outstanding	68,123	67,450	74,800	77,905	74,283
Balance Sheet Data (end of period):					
Working Capital Deficit	$ (86,969)	$ (92,898)	$ (36,699)	$(35,035)	$ (2,377)
Total Assets	1,085,644	968,848	996,943	888,834	738,936
Long-term Obligations	234,086	197,577	324,066	157,274	139,645
Shareholders' Equity	661,439	593,739	523,744	608,170	496,797
Number of Restaurants Open at End of Period:					
Company-Operated	707	624	556	468	439
Franchised/Joint Venture	226	182	157	147	121
Total	933	806	713	615	560

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

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

GENERAL

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

The Company has a 52/53 week fiscal year ending on the last Wednesday in June. Accordingly, the following discussion is for the 53 weeks ended June 30, 1999 and the 52-week periods ended June 24, 1998 and June 25, 1997.

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

RESULTS OF OPERATIONS FOR FISCAL YEARS 1999, 1998, AND 1997

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

	Percentage of Total Revenues		
	Fiscal Years		
	1999	1998	1997
Revenues	100.0%	100.0%	100.0%
Operating Costs and Expenses:			
Cost of Sales	27.1%	27.1%	28.1%
Restaurant Expenses	55.4%	55.0%	54.0%
Depreciation and Amortization	4.4%	5.5%	5.9%
General and Administrative	4.8%	4.9%	4.8%
Total Operating Costs and Expenses	91.7%	92.5%	92.8%
Operating Income	8.3%	7.5%	7.2%
Interest Expense	0.5%	0.7%	0.7%
Other, Net	0.8%	0.1%	(0.3%)
Income Before Provision for Income Taxes and Cumulative Effect of Accounting Change	7.0%	6.7%	6.8%
Provision for Income Taxes	2.4%	2.3%	2.3%
Income Before Cumulative Effect of Accounting Change	4.6%	4.4%	4.5%
Cumulative Effect of Accounting Change	0.4%	-	-
Net Income	4.2%	4.4%	4.5%

REVENUES

Revenue growth of 18.8% and 17.9% in fiscal 1999 and 1998, respectively, primarily relates to the increases in sales weeks driven by new unit expansion, increases in average weekly sales, and the addition of a fifty-third week in fiscal 1999. Revenues for fiscal 1999 increased due to a 14.9% increase in sales weeks (2.3% of such increase is attributable to the additional sales week during fiscal 1999) and a 3.1% increase in average weekly sales. Revenues for fiscal 1998 increased 17.9% due to a 14.3% increase in sales weeks and a 3.2% increase in average weekly sales. Menu price increases were less than 1% in both fiscal 1999 and 1998.

COSTS AND EXPENSES (as a percent of Revenues)

Cost of sales remained flat for fiscal 1999 compared to fiscal 1998 due to menu price increases, product mix changes to menu items with lower percentage food costs, and favorable commodity price variances for meat, seafood, bakery and bread which were offset by unfavorable commodity price variances for poultry, dairy and cheese. Cost of sales decreased in fiscal 1998 compared to fiscal 1997 due to menu price increases and favorable commodity price variances which partially offset product mix changes to menu items with higher percentage food costs.

Restaurant expenses increased in fiscal 1999 due to the adoption of SOP 98-5 and the resulting expensing of preopening costs as incurred. During fiscal 1998 and prior years, preopening costs were deferred and amortized over the twelve-month period following the opening of each restaurant. Also contributing to the increase in restaurant expenses was additional rent expense incurred due to the sale-leaseback transactions which occurred in fiscal 1998 and the continued utilization of the equipment leasing facility. These increases were partially offset by leverage related to increased sales in fiscal 1999.

Restaurant expenses increased in fiscal 1998 due primarily to increases in rent expense and management labor. Rent expense increased due to sale-leaseback transactions and an equipment leasing facility entered into in fiscal 1998. Management labor increased as a result of the cost of remaining competitive in the industry and increases in monthly performance bonuses due to the restaurants' positive performance in fiscal 1998. Restaurant labor wage rate increases due to Federal government mandated increases in the minimum wage were offset by improvements in labor productivity, as well as menu price increases.

Depreciation and amortization decreased in both fiscal 1999 and fiscal 1998. The fiscal 1999 decrease is due primarily to the elimination of preopening cost amortization resulting from the adoption of SOP 98-5 and due to a declining depreciable asset base for older units. Partially offsetting these decreases were increases in depreciation and amortization related to new unit construction and ongoing remodel costs and an impairment charge for reacquired franchise rights due to a change in development plans in the related franchise area. The fiscal 1998 decrease resulted from the impact of sale-leaseback transactions and an equipment leasing facility, as well as a declining depreciable asset base for older units. Partially offsetting these decreases were increases in depreciation and amortization related to new unit construction and ongoing remodel costs.

General and administrative expenses have remained relatively flat in the past three fiscal years as a result of the Company's focus on controlling corporate expenditures relative to increasing revenues and number of restaurants. However, total costs increased in fiscal 1999 due to additional staff to support the expansion of restaurants and an increased profit sharing accrual.

Interest expense decreased in fiscal 1999 as compared to fiscal 1998 due to a favorable interest rate environment compared with fiscal 1998 and an increase in the construction-in-progress balances subject to interest capitalization. Interest expense increased in fiscal 1998 as compared to fiscal 1997 due to increased borrowings on the Company's credit facilities primarily used to fund the Company's stock repurchase plan.

Other, net in both fiscal 1999 and in fiscal 1998 was negatively impacted by the Company's share of net losses in unconsolidated equity method investees and by the substantial liquidation of the marketable equity securities portfolio in the last half of fiscal 1998 to fund a portion of the Company's share repurchase plan. This liquidation resulted in a reduction of income earned, which in fiscal 1998 partially offset the Company's share of net losses in unconsolidated equity method investees. As of June 30, 1999, the marketable equity securities portfolio has been fully liquidated.

The Company's share of net losses in its unconsolidated equity method investees in fiscal 1999 includes a charge of approximately $5.1 million related to the decisions made by Eatzi's Corporation ("Eatzi's") to abandon development of two restaurant sites and to dispose of a restaurant that did not meet the financial return expectations of Eatzi's. These decisions were made in conjunction with a strategic plan which includes slowing development, refining the prototype, and defining profitable growth opportunities. The types of costs recorded primarily included site specific costs and costs to exit lease obligations. Effective June 30, 1999, the Company sold a portion of its equity interest in Eatzi's to its partner. In addition, the Company's share of net losses in its unconsolidated equity method investees in fiscal 1999 includes a charge of approximately $2.5 million related to the impairment of long-lived assets recorded by one of its investees in accordance with Statement of Financial Accounting Standards No. 121 ("SFAS No. 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of."

INCOME TAXES

The Company's effective income tax rate was 34.7%, 34.5%, and 33.5%, in fiscal 1999, 1998, and 1997, respectively. The increase in fiscal 1999 is primarily a result of an increase in the rate effect of state income taxes. The increase in fiscal 1998 is primarily a result of a decrease in the rate effect of a dividends received deduction resulting from the liquidation of the Company's marketable equity securities portfolio.

CUMULATIVE EFFECT OF ACCOUNTING CHANGE

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

NET INCOME AND NET INCOME PER SHARE

Fiscal 1999 net income and diluted net income per share increased 14.1% and 13.7%, respectively, compared to fiscal 1998. Excluding the effects of the adoption of SOP 98-5, fiscal 1999 net income increased 23.3% from $69.1 million to $85.2 million and diluted net income per share increased 22.5% from $1.02 to $1.25. The increase in both net income and diluted net income per share before consideration of the adoption of SOP 98-5 was due to an increase in revenues resulting from increases in average weekly sales, sales weeks (including an additional week in fiscal 1999) and menu prices, and a decrease in depreciation and amortization expenses. The factors contributing to the increase in net income and diluted net income per share were partially offset by increases in the Company's share of losses in unconsolidated equity method investees.

Fiscal 1998 net income and diluted net income per share increased 14.2% and 25.9%, respectively, compared to fiscal 1997. The increase in both net income and diluted net income per share was due to an increase in revenues as a result of increases in average weekly sales, sales weeks, and menu price increases and decreases in commodity prices. This favorable component of the increase in net income and diluted net income per share was somewhat offset by increases in management labor, incentive compensation, wage rates, and non-operating costs. The increase in diluted net income per share was proportionately larger than the increase in net income due to the effect of continuing share repurchases.

IMPACT OF INFLATION

The Company has not experienced a significant overall impact from inflation. As operating expenses increase, the Company, to the extent permitted by competition, recovers increased costs by either increasing menu prices or reviewing, then implementing, alternative products or processes.

LIQUIDITY AND CAPITAL RESOURCES

The working capital deficit decreased from $92.9 million at June 24, 1998 to $87.0 million at June 30, 1999, and net cash provided by operating activities increased to $193.2 million for fiscal 1999 from $167.3 million for fiscal 1998 due to increased profitability and the timing of operational receipts and payments.

Long-term debt outstanding at June 30, 1999 consisted of $71.4 million of unsecured senior notes, $110.0 million of borrowings on credit facilities and obligations under capital leases. The Company has credit facilities totaling $360.0 million. At June 30, 1999, the Company had $242.8 million in available funds from credit facilities.

During fiscal 1998, the Company entered into an equipment leasing facility for up to $55.0 million. As of June 30, 1999, $47.5 million of the leasing facility has been utilized, including a net funding of $23.1 million in fiscal 1999. The Company does not intend to further utilize this facility. During the first quarter of fiscal 2000, the Company intends to enter into a new $25.0 million equipment leasing facility, similar in terms and structure to the Company's previous facility, which will be used to lease equipment in fiscal 2000.

During the first quarter of fiscal 2000, the Company intends to enter into a $50.0 million real estate leasing facility available for the construction of new restaurants. This new facility will be used to lease real estate in fiscal 2000 and 2001.

Capital expenditures consist of purchases of land for future restaurant sites, new restaurants under construction, purchases of new and replacement restaurant furniture and equipment, and ongoing remodeling programs. Capital expenditures increased from $155.2 million for fiscal 1998 to $181.1 million for fiscal 1999. The increase in 1999 capital expenditures compared to 1998 is due mainly to an increase in the number of restaurants being constructed or opened during fiscal 1999 as compared to fiscal 1998. The Company estimates that its capital expenditures during fiscal 2000 will approximate $160.0 million. These capital expenditures will be funded from internal operations, cash equivalents, and drawdowns on the Company's credit facilities.

During fiscal 1999, the Company increased its investments in various joint ventures by $4.5 million. The joint ventures are accounted for using the equity method and are classified in other assets in the Company's consolidated balance sheets.

During fiscal 1998, the Company's Board of Directors approved a plan to repurchase up to $50.0 million of the Company's common stock. During fiscal 1999, the Company's Board of Directors authorized an increase in the plan by an additional $35.0 million. Pursuant to the plan, the Company repurchased approximately 2,171,000 shares of its common stock for approximately $48.1 million during fiscal 1999 and approximately 809,000 shares of its common stock for approximately $17.1 million during fiscal 1998 in accordance with applicable securities regulations. The repurchased common stock was used by the Company to increase shareholder value, offset the dilutive effect of stock option exercises, satisfy obligations under its savings plans, and for other corporate purposes. The repurchased common stock is reflected as a reduction of shareholders' equity. The Company financed the repurchase program through a combination of cash provided by operations and drawdowns on its available credit facilities.

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

YEAR 2000

The Year 2000 will have a broad impact on the business environment in which the Company operates due to the possibility that many computerized systems across all industries will be unable to process information containing dates beginning in the Year 2000. The Company has established an enterprise-wide program to prepare its computer systems and applications for the Year 2000 and is utilizing both internal and external resources to identify, correct and test the systems for Year 2000 compliance. The Company's domestic reprogramming and testing efforts have been substantially completed. The Company expects that all mission-critical systems will be Year 2000 ready prior to October 31, 1999.

The nature of the Company's business is such that the business risks associated with the Year 2000 can be reduced by assessing the vendors supplying the Company's restaurants with food and related products and also assessing the Company's franchise and joint venture business partners to ensure that they are aware of the Year 2000 business risks and are appropriately addressing them.

Because third party failures could have a material impact on the Company's ability to conduct business, questionnaires have been sent to substantially all of the Company's critical vendors to obtain reasonable assurance that plans are being developed to address the Year 2000 issue. The returned questionnaires have been assessed by the Company, categorized based upon readiness for the Year 2000 issues, and prioritized in order of significance to the business of the Company. The Company has established contingency plans (including continued efforts to evaluate Year 2000 readiness of existing vendors or identification of alternative vendors) responding to those high risk, critical vendors which have not provided the Company with satisfactory evidence of their readiness to handle Year 2000 issues. Furthermore, the Company will continue to monitor all critical vendors to ensure their Year 2000 readiness.

Based upon questionnaires returned by the Company's franchise business partners and direct communications with the Company's joint venture business partners, the Company has assessed the Year 2000 readiness of these business partners and has implemented an action plan involving direct communication and the sharing of information associated with the Year 2000 issue.

The Company has completed the inventory and assessment phases of its evaluation of all information technology and non-information technology equipment. Based upon results of the assessment, all mission-critical equipment that is not Year 2000 ready will be fixed or upgraded by October 31, 1999.

The enterprise-wide program, including testing and remediation of all of the Company's systems and applications, the cost of external consultants, the purchase of software and hardware, and the compensation of internal employees working on Year 2000 projects, is expected to cost approximately $3.5 to $4.0 million (except for fringe benefits of internal employees, which are not separately tracked) from inception in calendar year 1997 through completion in fiscal 2000. Of these costs, approximately $750,000 was incurred during fiscal 1998, and approximately $1.6 million was incurred during fiscal 1999. The remaining costs will be incurred in fiscal 2000. All estimated costs have been budgeted and are expected to be funded by the Company's available cash.

The Company anticipates timely completion of the internal Year 2000 readiness efforts and does not believe the costs related to the Year 2000 readiness project will be material to its financial position or results of operations. However, if unanticipated problems arise from systems or equipment, there could be material adverse effects on the Company's consolidated financial position, results of operations and cash flows. As part of the Year 2000 readiness efforts, the Company has developed contingency plans which will need to be activated in the event of internal systems failures, but may be modified as additional information becomes available. Although the questionnaires and other communications received by the Company from its significant vendors have not disclosed any material Year 2000 issues, there is no assurance that these vendors will be Year 2000 ready on a timely basis. Unanticipated failures or significant delays in furnishing products or services by significant vendors could have a material adverse effect on the Company's consolidated financial position, results of operations and cash flows. Where predictable, the Company is assessing and attempting to mitigate its risks with respect to the failure of its significant vendors to be Year 2000 ready as part of its ongoing contingency planning.

Despite the Company's diligent preparation, some of the Company's internal systems or equipment may fail to operate properly, and some of its significant vendors may fail to perform effectively or may fail to timely or completely deliver products. In those circumstances, the Company expects to be able to conduct necessary business operations and to obtain necessary products from alternative vendors, and business operations would generally continue; however, there would be some disruption which could have a material adverse effect on the Company's consolidated financial position, results of operations and cash flows. Similarly, if the Company's franchise and joint venture business partners sustain disruptions in their business operations or there are any unanticipated general public infrastructure failures, there could be a material adverse effect on the Company's consolidated financial position, results of operations and cash flows. The Company has no basis upon which to reasonably analyze the direct or indirect effects on its guests from Year 2000 issues or experiences.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

The Company's net exposure to interest rate risk consists of floating rate instruments that are benchmarked to U.S. and European short-term interest rates. The Company may from time to time utilize interest rate swaps and forwards to manage overall borrowing costs and reduce exposure to adverse fluctuations in interest rates. The Company does not use derivative instruments for trading purposes and the Company has procedures in place to monitor and control derivative use. No financial derivatives were in place at June 30, 1999. The impact on the Company's results of operations of a one-point interest rate change on the outstanding balance of the variable rate debt as of June 30, 1999 would be immaterial.

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

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

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133 ("SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments and hedging activities. In June 1999, the FASB issued Statement of Financial Accounting Standards No. 137 ("SFAS No. 137"), "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133," which defers the effective date of SFAS No. 133 until the Company's first quarter financial statements in fiscal 2001. The Company is currently not involved in derivative instruments or hedging activities, and therefore, will measure the impact of this statement as it becomes necessary.

MANAGEMENT OUTLOOK

During fiscal 1999, several key initiatives including: i) targeted, disciplined restaurant expansion; ii) continued focus on culinary evolution, service excellence, and overall value; iii) diligent fiscal responsibility; and iv) an unwavering pursuit for guest satisfaction have allowed the Company to generate the momentum that will serve as a catalyst for increased growth and earnings and will allow the Company to improve on its successes in fiscal 2000 and beyond.

During fiscal 2000, the Company will continue to focus on the initiatives that helped make fiscal 1999 such a successful year. With this continued focus and a future that indicates an increase in dining out across all age groups, a growing importance on convenience and a desire for the Company's guests to experience exciting new flavor profiles, the Company is confident that it can attain its growth and profitability objectives while creating value for its shareholders.

FORWARD-LOOKING STATEMENTS

Certain statements contained herein are forward-looking regarding future economic performance, restaurant openings, operating margins, the availability of acceptable real estate locations for new restaurants, the sufficiency of cash balances and cash generated from operating and financing activities for future liquidity and capital resource needs, and other matters. These forward-looking statements involve risks and uncertainties and, consequently, could be affected by general business conditions, the impact of competition, the seasonality of the Company's business, governmental regulations, inflation, changes in economic conditions, consumer perceptions of food safety, changes in consumer tastes, governmental monetary policies, changes in demographic trends, the impact of the Year 2000, availability of employees, or weather and other acts of God.

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

	1999	1998
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 12,597	$ 9,382
Accounts Receivable	21,390	19,645
Inventories	15,050	13,774
Prepaid Expenses	46,431	36,576
Deferred Income Taxes (Note 4)	5,585	3,250
Other	2,097	2,007
Total Current Assets	103,150	84,634
Property and Equipment, at Cost (Note 6):		
Land	169,368	145,900
Buildings and Leasehold Improvements	650,000	541,403
Furniture and Equipment	351,729	310,849
Construction-in-Progress	46,186	48,245
	1,217,283	1,046,397
Less Accumulated Depreciation and Amortization	403,907	337,497

Net Property and Equipment	813,376	708,900
Other Assets:		
Goodwill, Net (Note 2)	74,190	76,330
Other (Note 10)	94,928	98,984
Total Other Assets	169,118	175,314
Total Assets	$ 1,085,644	$ 968,848

(continued)

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

LIABILITIES AND SHAREHOLDERS' EQUITY	1999	1998
Current Liabilities:		
Current Installments of Long-term Debt (Notes 5 and 6)	$ 14,635	$ 14,618
Accounts Payable	74,100	75,878
Accrued Liabilities (Note 3)	101,384	87,036
Total Current Liabilities	190,119	177,532
Long-term Debt, Less Current Installments (Notes 5 and 6)	183,158	147,288
Deferred Income Taxes (Note 4)	9,140	8,254
Other Liabilities	41,788	42,035
Commitments and Contingencies (Notes 6 and 11)		
Shareholders' Equity (Notes 7 and 8):		
Preferred Stock - 1,000,000 Authorized Shares; $1.00 Par Value; No Shares Issued	-	-
Common Stock - 250,000,000 Authorized Shares; $.10 Par Value; 78,150,054 Shares Issued and 65,899,445 Shares Outstanding at June 30, 1999, and 78,150,054 Shares Issued and 65,926,032 Shares Outstanding at June 24, 1998	7,815	7,815
Additional Paid-In Capital	285,448	276,380
Retained Earnings	542,918	464,083
	836,181	748,278
Less Treasury Stock, at Cost (12,250,609 shares at June 30, 1999 and 12,224,022 shares at June 24, 1998)	174,742	154,539
Total Shareholders' Equity	661,439	593,739
Total Liabilities and Shareholders' Equity	$1,085,644	$ 968,848

See accompanying notes to consolidated financial statements.

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

	Fiscal Years		
	1999	1998	1997
Revenues	$1,870,554	$1,574,414	$1,335,337
Operating Costs and Expenses:			
Cost of Sales	507,103	426,558	374,525
Restaurant Expenses (Notes 1 and 6)	1,036,573	866,143	720,769
Depreciation and Amortization (Note 1)	82,385	86,376	78,754
General and Administrative	90,311	77,407	64,404
Total Operating Costs and Expenses	1,716,372	1,456,484	1,238,452
Operating Income	154,182	117,930	96,885
Interest Expense (Note 5)	9,241	11,025	9,453
Other, Net (Notes 1 and 10)	14,402	1,447	(3,553)
Income Before Provision for Income Taxes and Cumulative Effect of Accounting Change	130,539	105,458	90,985
Provision for Income Taxes (Note 4)	45,297	36,383	30,480
Income Before Cumulative			

Effect of Accounting Change	85,242	69,075	60,505
Cumulative Effect of Accounting Change (net of income tax benefit of $3,404)	6,407	-	-
Net Income	$ 78,835	$ 69,075	$ 60,505
Basic Earnings Per Share:			
Income Before Cumulative Effect of Accounting Change	$ 1.30	$ 1.05	$ 0.82
Cumulative Effect of Accounting Change	0.10	-	-
Basic Net Income Per Share	$ 1.20	$ 1.05	$ 0.82
Diluted Earnings Per Share:			
Income Before Cumulative Effect of Accounting Change	$ 1.25	$ 1.02	$ 0.81
Cumulative Effect of Accounting Change	0.09	-	-
Diluted Net Income Per Share	$ 1.16	$ 1.02	$ 0.81
Basic Weighted Average Shares Outstanding	65,926	65,766	73,682
Diluted Weighted Average Shares Outstanding	68,123	67,450	74,800

See accompanying notes to consolidated financial statements.

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

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Unrealized Gain (Loss) on Marketable Securities	Retained Earnings	Treasury Stock	Total
Balances at June 26, 1996	77,256	$7,726	$ 266,561	$ (620)	$334,503	$ -	$608,170
Net Income	-	-	-	-	60,505	-	60,505
Change in Unrealized Gain (Loss) on Marketable Securities	-	-	-	924	-	-	924
Purchases of Treasury Stock	(12,486)	-	-	-	-	(150,350)	(150,350)
Issuances of Common Stock	464	45	4,331	-	-	119	4,495
Balances at June 25, 1997	65,234	7,771	270,892	304	395,008	(150,231)	523,744
Net Income	-	-	-	-	69,075	-	69,075
Change in Unrealized Gain (Loss) on Marketable Securities	-	-	-	(304)	-	-	(304)
Purchases of Treasury Stock	(809)	-	-	-	-	(17,077)	(17,077)
Issuances of Common Stock	1,501	44	5,488	-	-	12,769	18,301
Balances at June 24, 1998	65,926	7,815	276,380	-	464,083	(154,539)	593,739
Net Income	-	-	-	-	78,835	-	78,835
Purchases of							

Treasury Stock	(2,171)	-	-	-	-	(48,125)	(48,125)
Issuances of Common Stock	2,144	-	9,068	-	-	27,922	36,990
Balances at June 30, 1999	65,899	$7,815	$ 285,448	$ -	$542,918	$(174,742)	$661,439

See accompanying notes to consolidated financial statements.

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

	Fiscal Years 1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 78,835	$ 69,075	$ 60,505
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization of Property and Equipment	75,857	70,257	63,866
Amortization of Goodwill and Other Assets	6,528	16,119	14,888
Cumulative Effect of Accounting Change (Note 1)	6,407	-	-
Deferred Income Taxes	1,955	(1,220)	4,657
Changes in Assets and Liabilities, Excluding Effects of Acquisitions:			
Receivables	(1,886)	(829)	(5,112)
Inventories	(1,276)	(743)	(1,944)
Prepaid Expenses	(9,855)	(6,212)	(5,632)
Other Assets	14,458	(9,649)	(15,309)
Accounts Payable	8,102	3,808	18,953
Accrued Liabilities	14,348	14,377	7,838
Other Liabilities	(247)	12,352	2,369
Other	-	-	496
Net Cash Provided by Operating Activities	193,226	167,335	145,575
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for Property and Equipment	(181,088)	(155,246)	(191,194)
Payment for Purchases of Restaurants, Net (Note 2)	-	(2,700)	(15,863)
Net Proceeds from Sale-Leasebacks	-	125,961	-
Purchases of Marketable Securities	-	-	(38,543)
Proceeds from Sales of Marketable Securities	51	23,962	80,796
Investments in Equity Method Investees	(4,484)	(35,500)	(3,230)
Net (Advances to) Repayments from Affiliates	(19,363)	5,942	(4,002)
Additions to Other Assets	-	(6,850)	-
Net Cash Used in Investing Activities	(204,884)	(44,431)	(172,036)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net Borrowings (Payments) on Credit Facilities	50,505	(132,980)	170,000
Payments of Long-term Debt	(14,618)	(390)	(348)
Proceeds from Issuances of Common Stock	27,111	13,731	3,280
Purchases of Treasury Stock	(48,125)	(17,077)	(150,350)
Net Cash Provided by (Used in) Financing Activities	14,873	(136,716)	22,582
Net Increase (Decrease) in Cash and Cash Equivalents	3,215	(13,812)	(3,879)
Cash and Cash Equivalents at Beginning of Year	9,382	23,194	27,073
Cash and Cash Equivalents at End of Year	$ 12,597	$ 9,382	$ 23,194
CASH PAID DURING THE YEAR:			
Interest, Net of Amounts Capitalized	$ 9,285	$ 11,479	$ 7,459
Income Taxes	$ 39,618	$ 31,807	$ 26,240
NON-CASH TRANSACTIONS DURING THE YEAR:			
Tax Benefit from Stock Options Exercised	$ 9,879	$ 4,570	$ 1,215

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.
Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

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

The Company has a 52/53 week fiscal year ending on the last Wednesday in June. Fiscal year 1999, which ended on June 30, 1999, contained 53 weeks, while fiscal years 1998 and 1997, which ended on June 24, 1998 and June 25, 1997, respectively, contained 52 weeks.

Certain prior year amounts in the accompanying consolidated financial statements have been reclassified to conform with fiscal 1999 classifications.

(b) Financial Instruments

The Company's policy is to invest cash in excess of operating requirements in income-producing investments. Cash invested in instruments with maturities of three months or less at the time of investment is reflected as cash equivalents. Cash equivalents of $2.6 million and $319,000 at June 30, 1999 and June 24, 1998, respectively, consist primarily of money market funds and commercial paper.

The Company's financial instruments at June 30, 1999 and June 24, 1998 consist of cash equivalents, accounts receivable, notes receivable, short-term debt, and long-term debt. The fair value of these financial instruments approximates the carrying amounts reported in the consolidated balance sheets. The following methods were used in estimating the fair value of each class of financial instrument: cash equivalents, accounts receivable, and short-term debt approximate their carrying amounts due to the short duration of those items; notes receivable are based on the present value of expected future cash flows discounted at the interest rate currently offered by the Company which approximates rates currently being offered by local lending institutions for loans of similar terms to companies with comparable credit risk; and long-term debt is based on the amount of future cash flows discounted using the Company's expected borrowing rate for debt of comparable risk and maturity. None of these financial instruments is held for trading purposes.

(c) Inventories

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

(d) Property and Equipment

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

(e) Capitalized Interest

Interest costs capitalized during the construction period of restaurants were approximately $4.0 million, $3.6 million, and $4.5 million during fiscal 1999, 1998, and 1997, respectively.

(f) Advertising

Advertising costs are expensed as incurred. Advertising costs were $73.6 million, $60.6 million, and $47.0 million in fiscal 1999, 1998, and 1997, respectively, and are included in restaurant expenses in the consolidated statements of income.

(g) Preopening Costs

The Company elected early adoption of Statement of Position 98-5 ("SOP 98-5"), "Reporting on the Costs of Start-Up Activities," retroactive to the first quarter of fiscal 1999. This new accounting standard requires the

Company to expense all start-up and preopening costs as they are incurred. The Company previously deferred such costs and amortized them over the twelve-month period following the opening of each restaurant. The cumulative effect of this accounting change, net of income tax benefit, was $6.4 million ($0.09 per diluted share). This new accounting standard accelerates the Company's recognition of preopening costs, but benefits the post-opening results of new restaurants. Excluding the one-time cumulative effect, the adoption of the new accounting standard reduced the Company's reported results for fiscal 1999 by approximately $1.7 million ($0.03 per diluted share).

(h) Goodwill and Other Intangible Assets

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

During fiscal 1999, the Company recorded an impairment charge of approximately $3 million for reacquired franchise rights. The impairment charge, which is included in amortization expense, is the result of a change in development plans in the related franchise area. Management believes that no reduction of the estimated useful life is warranted. Accumulated amortization for goodwill was $8.7 million and $6.5 million as of June 30, 1999 and June 24, 1998, respectively. Accumulated amortization for other intangible assets was $4.8 million and $691,000 as of June 30, 1999 and June 24, 1998, respectively.

(i) Recoverability of Long-Lived Assets

The Company evaluates long-lived assets and certain identifiable intangibles to be held and used in the business for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment is determined by comparing estimated undiscounted future operating cash flows to the carrying amounts of assets. If an impairment exists, the amount of impairment is measured as the sum of the estimated discounted future operating cash flows of such asset and the expected proceeds upon sale of the asset less its carrying amount. Assets held for sale are reported at the lower of carrying amount or fair value less costs to sell. During fiscal 1999, the Company's share of net losses in unconsolidated equity method investees included charges of approximately $6.5 million related to impairment of long-lived assets in accordance with Statement of Financial Accounting Standards No. 121 ("SFAS No. 121"), "Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of."

(j) Income Taxes

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

(k) Treasury Stock

During fiscal 1998, the Company's Board of Directors approved a plan to repurchase up to $50.0 million of the Company's common stock. During fiscal 1999, the Company's Board of Directors authorized an increase in the plan by an additional $35.0 million. Pursuant to the plan, the Company repurchased approximately 2,171,000 shares of its common stock for approximately $48.1 million during fiscal 1999 and approximately 809,000 shares of its common stock for approximately $17.1 million during fiscal 1998 in accordance with applicable securities regulations. The repurchased common stock was used by the Company to increase shareholder value, offset the dilutive effect of stock option exercises, satisfy obligations under its savings plans, and for other corporate purposes. The repurchased common stock is reflected as a reduction of shareholders' equity. During fiscal 1997, the Company repurchased approximately $150 million of its common stock (12.5 million shares) under a similar plan.

(l) Derivative Instruments

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

As of June 30, 1999 and June 24, 1998, the Company was not involved in any derivative instruments. During fiscal 1998, the Company participated in interest rate forwards to effectively fix the interest rate in anticipation of a sale and leaseback of certain real estate assets which was executed in 1998. These forwards were designated as hedges and the resulting loss on settlement was deferred and is being amortized to rent expense over the life of the lease.

(m) Stock-Based Compensation

In accordance with Accounting Principles Board Opinion No. 25, the Company uses the intrinsic value-based method for measuring stock-based compensation cost which measures compensation cost as the excess, if any, of the quoted market price of the Company's common stock at the grant date over the amount the employee must pay for the stock. The Company's policy is to grant stock options at fair value at the date of grant. Proceeds from the exercise of common stock options issued to officers, directors, and key employees under the Company's stock option plans are credited to common stock to the extent of par value and to additional paid-in capital for the excess. Required pro forma disclosures of compensation expense determined under the fair value method of Statement of Financial Accounting Standards No. 123 ("SFAS No. 123"), "Accounting for Stock-Based Compensation," are presented in Note 7.

(n) Comprehensive Income

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130 ("SFAS No. 130"), "Reporting Comprehensive Income." SFAS No. 130, which is effective for fiscal 1999, establishes standards for the reporting and display of comprehensive income and its components. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Comprehensive income for fiscal 1999 is equal to net income as reported, and comprehensive income for fiscal 1998 and 1997 is substantially equal to net income as reported.

(o) 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 common equivalent shares (stock options) determined using the treasury stock method based on the average market price exceeding the exercise price of the stock options. The Company has no other potentially dilutive securities.

(p) Segment Reporting

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131 ("SFAS No. 131" or "Statement"), "Disclosure About Segments of an Enterprise and Related Information." This Statement supersedes Statement of Financial Accounting Standards No. 14, "Financial Reporting for Segments of a Business Enterprise" and requires that a public company report annual and interim financial and descriptive information about its reportable operating segments. Operating segments, as defined, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. This Statement allows aggregation of similar operating segments into a single operating segment if the businesses are considered similar under the criteria of this Statement. The Company believes it meets the aggregation criteria for its operating segments.

(q) Use of Estimates

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

2. ACQUISITIONS

During the three years ended June 30, 1999, the Company completed the acquisitions set forth below. These acquisitions were accounted for as purchases and the excess of cost over the fair values of the net assets acquired was recorded as goodwill. The operations of the related restaurants, which are not material, are included in the Company's consolidated results of operations from the dates of acquisition.

On December 19, 1997, the Company acquired 3 Chili's restaurants from a franchisee for approximately $2.7 million in cash. Goodwill resulting from this transaction was not material.

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

3. ACCRUED LIABILITIES

Accrued liabilities consist of the following (in thousands):

	1999	1998
Payroll	$ 46,648	$ 39,752
Insurance	10,185	11,718
Property tax	10,783	9,754
Sales tax	13,015	8,759
Other	20,753	17,053
	$101,384	$ 87,036

4. INCOME TAXES

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

	1999	1998	1997
Current income tax expense:			
Federal	$ 38,373	$ 34,347	$ 22,471
State	4,969	3,408	3,352
Total current income tax expense	43,342	37,755	25,823
Deferred income tax expense (benefit):			
Federal	2,124	(1,212)	4,113
State	(169)	(160)	544
Total deferred income tax expense (benefit)	1,955	(1,372)	4,657
	$ 45,297	$ 36,383	$ 30,480

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

	1999	1998	1997
Income tax expense at statutory rate	$ 45,659	$ 36,910	$ 31,845
FICA tax credit	(4,495)	(3,575)	(2,925)
Net investment activities	-	(102)	(688)
State income taxes, net of Federal benefit	3,230	2,217	1,872
Other	903	933	376
	$ 45,297	$ 36,383	$ 30,480

The income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities as of June 30, 1999 and June 24, 1998 are as follows (in thousands):

	1999	1998
Deferred income tax assets:		
Insurance reserves	$ 10,451	$ 12,361
Nonqualified savings plan	4,349	3,492
Leasing transactions	2,547	2,034
Other, net	11,615	9,444
Total deferred income tax assets	28,962	27,331

Deferred income tax liabilities:

Depreciation and capitalized interest on property and equipment	19,375	16,664
Prepaid expenses	8,060	7,580
Preopening costs	-	3,258
Goodwill and other amortization	1,936	1,697
Other, net	3,146	3,136
Total deferred income tax liabilities	32,517	32,335
Net deferred income tax liability	$ 3,555	$ 5,004

5. DEBT

The Company has credit facilities aggregating $360.0 million at June 30, 1999. A credit facility of $260.0 million bears interest at LIBOR (5.24% at June 30, 1999) plus a maximum of .50% and expires in fiscal 2002. At June 30, 1999, $110.0 million was outstanding under this facility. The remaining credit facilities bear interest based upon the lower of the banks' "Base" rate, certificate of deposit rate, negotiated rate, or LIBOR rate plus .375%, and expire during fiscal year 2000. Unused credit facilities available to the Company were approximately $242.8 million at June 30, 1999. Obligations under the Company's credit facilities, which require short-term repayments, have been classified as long-term debt, reflecting the Company's intent and ability to refinance these borrowings through the existing credit facilities.

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

	1999	1998
7.8% senior notes	$ 85,700	$ 100,000
Credit facilities	110,000	59,495
Capital lease obligations (see Note 6)	2,093	2,411
	197,793	161,906
Less current installments	14,635	14,618
	$ 183,158	$ 147,288

The $85.7 million of unsecured senior notes bear interest at an annual rate of 7.8%. Interest is payable semi-annually and principal of $14.3 million is due annually through fiscal 2004 with the remaining unpaid balance due in fiscal 2005.

At June 30, 1999, the Company is the guarantor of a $7.3 million line of credit for certain franchisees. This line of credit has been closed and the franchisees are paying down the outstanding balance.

6. LEASES

(a) Capital Leases

The Company leases certain buildings under capital leases. The asset values of $6.5 million at June 30, 1999 and June 24, 1998, and the related accumulated amortization of $5.8 million and $5.6 million at June 30, 1999 and June 24, 1998, respectively, are included in property and equipment.

(b) Operating Leases

The Company leases restaurant facilities, office space, and certain equipment under operating leases having terms expiring at various dates through fiscal 2022. The restaurant leases have renewal clauses of 1 to 30 years at the option of the Company and have provisions for contingent rent based upon a percentage of gross sales, as defined in the leases. Rent expense for fiscal 1999, 1998, and 1997 was $70.0 million, $54.8 million, and $40.3 million, respectively. Contingent rent included in rent expense for fiscal 1999, 1998, and 1997 was $5.5 million, $4.9 million, and $3.1 million, respectively.

In July 1993, the Company entered into operating lease agreements with unaffiliated groups to lease certain restaurant sites. During fiscal 1995 and 1994, the Company utilized the entire commitment of approximately $30 million for the development of restaurants leased by the Company. Since inception of the commitment, the Company has retired several properties in the commitment which thereby reduced the outstanding balance. At the expiration of the lease in fiscal 2001, the Company has, at its option, the ability to purchase all of the properties or to guarantee the residual value related to the remaining properties, which is currently approximately $20.9 million. Based on the analysis of the operations of these properties, the Company believes the properties support the guaranteed residual value.

In July 1997, the Company entered into an equipment leasing facility pursuant to which the Company could lease up to $55.0 million of equipment. As of June 30, 1999, $47.5 million of the leasing facility has been utilized, including a net funding of $23.1 million in fiscal 1999. The Company does not intend to further utilize this facility. The facility, which is accounted for as an operating lease, expires in fiscal 2003 and does not provide for a renewal. At the end of the lease term, the Company has the option to purchase all of the leased equipment for an amount equal to the unamortized lease balance, which amount will be no more than 75% of the total amount funded through the facility. The Company believes that the future cash flows related to the equipment support the unamortized lease balance.

In November 1997, the Company executed a $124.0 million sale and leaseback of certain real estate assets. The $8.7 million gain resulting from the sale, along with certain transaction costs, was deferred and is being amortized over the remaining term of the operating lease. The net proceeds from the sale were used to retire $115.0 million of the Company's credit facilities.

(c) Commitments

At June 30, 1999, future minimum lease payments on capital and operating leases were as follows (in thousands):

Fiscal Year	Capital Leases	Operating Leases
2000	$ 584	$ 64,690
2001	566	62,919
2002	566	60,222
2003	566	57,357
2004	461	52,487
Thereafter	117	347,108
Total minimum lease payments	2,860	$644,783
Imputed interest (average rate of 11.5%)	767	
Present value of minimum lease payments	2,093	
Less current installments	335	
Capital lease obligations - noncurrent	$1,758	

At June 30, 1999, the Company had entered into other lease agreements for restaurant facilities currently under construction or yet to be constructed. In addition to base rent, the leases also contain provisions for additional contingent rent based upon gross sales, as defined in the leases. Classification of these leases as capital or operating has not been determined as construction of the leased properties has not been completed.

7. STOCK OPTION PLANS

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

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

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

Transactions during fiscal 1999, 1998, and 1997 were as follows (in thousands, except option prices):

	Number of Company Options			Weighted Average Share Exercise Price		
	1999	1998	1997	1999	1998	1997
Options outstanding at beginning of year	9,742	9,458	9,049	$14.43	$14.13	$14.52
Granted	1,942	1,661	1,842	26.65	14.07	11.79
Exercised	(2,002)	(1,068)	(383)	13.01	10.76	6.83
Forfeited	(821)	(309)	(1,050)	16.03	16.03	16.03
Options outstanding at end of year	8,861	9,742	9,458	$17.37	$14.43	$14.13
Options exercisable at end of year	4,232	5,556	4,735	$15.97	$15.60	$14.61

	Options Outstanding		Options Exercisable
Range of	Weighted average remaining	Weighted average	Weighted average

exercise prices	Number of options	contractual life (years)	exercise price	Number of options	exercise price
$ 6.05-$11.22	1,575	6.02	$10.60	941	$10.25
$12.00-$15.50	2,990	6.78	13.67	964	13.46
$16.00-$20.44	2,356	4.76	18.85	2,220	18.97
$26.75-$28.00	1,940	9.29	26.76	107	26.83
	8,861	6.66	$17.37	4,232	$15.97

(b) 1984 Non-Qualified Stock Option Plan

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

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

Transactions during fiscal 1999, 1998, and 1997 were as follows (in thousands, except option prices):

	Number of Company Options			Weighted Average Share Exercise Price		
	1999	1998	1997	1999	1998	1997
Options outstanding at beginning of year	110	481	544	$ 4.13	$ 3.75	$ 3.66
Exercised	(95)	(371)	(61)	3.94	3.02	2.95
Forfeited	(15)	-	(2)	5.30	-	2.45
Options outstanding and exercisable at end of year	-	110	481	$ -	$ 4.13	$ 3.75

(c) 1991 Non-Employee Stock Option Plan

In accordance with the Stock Option Plan for Non-Employee Directors and Consultants adopted in May 1991, options to purchase 587,500 shares of Company common stock were authorized for grant. Options are granted at market value on the date of grant, vest one-third each year beginning two years from the date of grant, and expire ten years from the date of grant.

Transactions during fiscal 1999, 1998, and 1997 were as follows (in thousands, except option prices):

	Number of Company Options			Weighted Average Share Exercise Price		
	1999	1998	1997	1999	1998	1997
Options outstanding at beginning of year	230	201	202	$16.51	$16.10	$16.21
Granted	183	52	3	16.97	16.40	16.88
Exercised	(46)	(23)	-	15.09	12.60	-
Forfeited	(20)	-	(4)	13.08	-	23.61
Options outstanding at end of year	347	230	201	$17.13	$16.51	$16.10
Options exercisable at end of year	191	174	155	$15.47	$16.52	$15.25

At June 30, 1999, the range of exercise prices for options outstanding was $11.22 to $25.44 with a weighted average remaining contractual life of 6.59 years.

(d) On The Border 1989 Stock Option Plan

In accordance with the Stock Option Plan for On The Border employees and consultants, options to purchase 550,000 shares of On The Border's preacquisition common stock were authorized for grant. Effective May 18, 1994, the 376,000 unexercised On The Border stock options became exercisable immediately in accordance with the provisions of the Stock Option Plan and were converted to approximately 124,000 Company stock options and expire ten years from the date of original grant.

Transactions during fiscal 1999, 1998, and 1997 were as follows (in thousands, except option prices):

Number of Company Options			Weighted Average Share Exercise Price		
1999	1998	1997	1999	1998	1997

Options outstanding at beginning of year	35	36	63	$19.39	$19.38	$19.03
Exercised	(1)	(1)	(5)	18.24	18.24	17.99
Forfeited	(7)	-	(22)	18.33	-	18.68
Options outstanding and exercisable at end of year	27	35	36	$19.71	$19.39	$19.38

At June 30, 1999, the range of exercise prices for options outstanding and exercisable was $18.24 to $19.76 with a weighted average remaining contractual life of 4.13 years.

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

	1999	1998	1997
Net income - as reported	$ 78,835	$ 69,075	$ 60,505
Net income - pro forma	$ 68,910	$ 62,745	$ 56,943
Diluted net income per share - as reported	$ 1.16	$ 1.02	$ 0.81
Diluted net income per share - pro forma	$ 1.01	$ 0.93	$ 0.76

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

	1999	1998	1997
Expected volatility	37.2%	41.5%	39.7%
Risk-free interest rate	4.6%	5.8%	6.2%
Expected lives	5 years	5 years	5 years
Dividend yield	0.0%	0.0%	0.0%

Pro forma net income reflects only options granted since fiscal 1996. Therefore, the full impact of calculating compensation cost for stock options is not reflected in the pro forma amounts presented above because compensation cost is reflected over the options' vesting period and compensation cost for options granted prior to fiscal 1996 is not considered. In addition, the pro forma disclosures provided are not likely to be representative of the effects on reported net income for future years due to future grants and the vesting requirements of the Company's stock option plans.

8. STOCKHOLDER PROTECTION RIGHTS PLAN

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

9. SAVINGS PLANS

The Company sponsors a qualified defined contribution retirement plan ("Plan I") covering salaried employees who have completed one year of service and have attained the age of twenty-one. Plan I allows eligible employees to defer receipt of up to 20% of their compensation and 100% of their eligible bonuses, as defined in the Plan, and contribute such amounts to various investment funds. The Company matches 25% of the first 5% an employee contributes. Employee contributions vest immediately while Company contributions vest 25% annually beginning in the participants' second year of eligibility since plan inception. In fiscal 1999, 1998, and 1997, the Company contributed approximately $688,000, $600,000, and $432,000, respectively.

The Company sponsors a non-qualified defined contribution retirement plan ("Plan II") covering highly compensated employees, as defined in the plan. Plan II allows eligible employees to defer receipt of up to 20% of their base compensation and 100% of their eligible bonuses, as defined in the plan. The Company matches 25% of the first 5% a non-officer contributes while officers' contributions are matched at the same rate with cash. Employee contributions vest immediately while Company contributions vest 25% annually beginning in the participants' second year of employment since plan inception. In fiscal 1999, 1998, and 1997, the Company contributed approximately $381,000, $298,000, and $215,000, respectively. At the inception of Plan II, the Company established a Rabbi Trust to fund Plan II obligations. The market value of the trust assets is included in other assets and the liability to Plan II participants is included in other liabilities.

10. RELATED PARTY TRANSACTION

The Company has secured notes receivable from Eatzi's Corporation ("Eatzi's") with a carrying value of approximately $23.9 million at June 30, 1999 and $2.2 million at June 24, 1998. Approximately $6 million of the notes receivable is convertible into nonvoting Series A Preferred Stock of Eatzi's at the option of the Company and matures on December 28, 2006. The remaining notes receivable matures on September 28, 2005.

Interest on the convertible notes receivable is 10.5% per year with payments due beginning June 28, 2000 and continuing on a quarterly basis until the principal balance and all accrued and unpaid interest have been paid in full. Interest on the remaining notes receivable balance is 10.0% per year with payments due beginning September 28, 2000 and continuing on a quarterly basis until the principal balance and all accrued and unpaid interest have been paid in full. Interest income earned on these notes and recorded in other, net during both fiscal 1999 and fiscal 1998 was $900,000. The notes receivable are included in other assets in the accompanying consolidated balance sheets. In addition, the Company sold a portion of its equity interest in Eatzi's effective June 30, 1999.

11. CONTINGENCIES

The Company is engaged in various legal proceedings and has certain unresolved claims pending. The ultimate liability, if any, for the aggregate amounts claimed cannot be determined at this time. However, management of the Company, based upon consultation with legal counsel, is of the opinion that there are no matters pending or threatened which are expected to have a material adverse effect on the Company's consolidated financial condition or results of operations.

12. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following table summarizes the unaudited consolidated quarterly results of operations for fiscal 1999 and 1998(in thousands, except per share amounts):

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

(a) As Restated (see note 1g)

	Fiscal Year 1998 Quarters Ended			
	Sept. 24	Dec. 24	March 25	June 24
Revenues	$375,963	$374,502	$401,002	$422,947
Income Before Provision				

for Income Taxes	25,223	20,398	24,626	35,211
Net Income	16,521	13,361	16,130	23,063
Basic Net Income Per Share	0.25	0.20	0.24	0.35
Diluted Net Income Per Share	0.25	0.20	0.24	0.34
Basic Weighted Average Shares Outstanding	65,272	65,593	65,894	66,364
Diluted Weighted Average Shares Outstanding	66,635	66,925	67,596	68,674

EXHIBIT 21

BRINKER INTERNATIONAL, INC., A DELAWARE CORPORATION

SUBSIDIARIES

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

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

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Brinker International, Inc.:

We consent to incorporation by reference in Registration Statement Nos. 33-61594, 33-56491, and 333-02201 on Form S-8 and Nos. 333-00169 and 333-07481 on Form S-3, of Brinker International, Inc. of our report dated July 30, 1999, relating to the consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 30, 1999 and June 24, 1998 and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 30, 1999, which report is incorporated by reference in the June 30, 1999 annual report on Form 10-K of Brinker International, Inc. Our report refers to a change in the method of accounting for the cost of start-up activities in fiscal 1999.

/KPMG LLP

Dallas, Texas
September 24, 1999

EXHIBIT 99

PRINCIPAL SHAREHOLDERS

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

	Beneficial Ownership	
Name and Address	Number of Shares	Percent
FMR Corp. 82 Devonshire Street Boston, Massachusetts 02109	7,314,600(1)	11.11%
Capital Research and Management Company 333 South Hope Street Los Angeles, California 90071	5,700,000(1)	8.66%
Morgan Stanley Dean Witter & Co. 1585 Broadway New York, New York 10036	3,910,369(1)	5.94%

(1) Based on information contained in Schedule 13G dated as of December 31, 1998.

SECURITY OWNERSHIP OF MANAGEMENT
AND ELECTION OF DIRECTORS

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

Name	Number of Shares of Common Stock Beneficially Owned as of September 7, 1999(1)(2)	Number Attributable to Options Exercisable Within 60 Days of September 7, 1999	Percent of Class
Norman E. Brinker	1,799,934 (3)	1,011,875	2.69%
Ronald A. McDougall	912,522	887,500	1.37%
Douglas H. Brooks	431,324	344,500	*
John C. Miller	131,630	130,625	*
Russell G. Owens	150,469	135,708	*
Roger F. Thomson	196,000	192,500	*
Donald J. Carty	10,000	-0-	*
Dan W. Cook, III	-0-	-0-	*
Marvin J. Girouard	-0-	-0-	*
J.M. Haggar, Jr.	72,435 (4)	8,715	*
Frederick S. Humphries	26,080	25,000	*
Ronald Kirk	7,430	7,430	*
Jeffrey A. Marcus	17,048	7,048	*

James E. Oesterreicher	19,500	19,000	*
Roger T. Staubach	34,500	24,000	*
All executive officers and directors as a group (21 persons)	4,383,330 (3)(4)	3,079,453	6.36%

* Less than one percent

(1) Beneficial ownership has been determined in accordance with the rules of the Securities and Exchange Commission. Except as noted, and except for any community property interests owned by spouses, the listed individuals have sole investment power and sole voting power as to all shares of stock of which they are identified as being the beneficial owners.

(2) Includes shares of Common Stock which may be acquired by exercise of options vested, or vesting within 60 days of September 7, 1999, under the Company's 1983 Incentive Stock Option Plan, 1992 Incentive Stock Option Plan and 1991 Stock Option Plan for Non-Employee Directors and Consultants, as applicable.

(3) Includes 10,250 shares of Common Stock held of record by a family trust of which Mr. Brinker is trustee.

(4) Includes 25,000 shares of Common Stock held of record by Joe Haggar Interest, L.P., a limited partnership controlled by Mr. Haggar.

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

DIRECTORS AND EXECUTIVE OFFICERS

Directors

A brief description of each person nominated to become a director of the Company is provided below. Except for Douglas H. Brooks, all nominees are currently serving as directors of the Company. Each of the current directors was elected at the last annual meeting of the Company's shareholders held on October 29, 1998.

Norman E. Brinker, 68, has served as Chairman of the Board of Directors since 1983. He was also Chief Executive Officer of the Company from September 1983 to June 1995, with the exception of a brief period during which Mr. Brinker was incapacitated due to an injury. Mr. Brinker is a member of the Executive and Nominating Committees of the Company. He was the founder of S&A Restaurant Corp. in 1966, and served as its Chairman of the Board of Directors and Chief Executive Officer from 1977 through 1983. From 1982 through 1983, Mr. Brinker served as Chairman of the Board of Directors and Chief Executive Officer of Burger King Corporation, while simultaneously occupying the position of President of The Pillsbury Company Restaurant Group. Mr. Brinker currently serves as a member of the Board of Directors of Haggar Clothing Company and Petsmart, Inc.

Ronald A. McDougall, 57, was elected Vice Chairman and Chief Executive Officer in January 1999, having formerly held the office of President and Chief Executive Officer of the Company since June 1995 and President and Chief Operating Officer from 1986 to 1995. Mr. McDougall joined the Company in 1983 and served as Executive Vice President - Marketing and Strategic Development until his promotion to President. Prior to joining the Company, Mr. McDougall held senior management positions at Proctor and Gamble, Sara Lee, The Pillsbury Company and S&A Restaurant Corp. Mr. McDougall has served as a member of the Board of Directors of the Company since 1983 and is a member of the Executive and Nominating Committees of the Company. Mr. McDougall also serves on the Board of Trustees of the Cooper Institute for Aerobics Research.

Douglas H. Brooks, 47, became President and Chief Operating Officer of the Company in January 1999. Previously, Mr. Brooks served as Chili's Grill & Bar ("Chili's") President from June 1994 to May 1998 and Executive Vice President and Chief Operating Officer from May 1998 until January 1999. Mr. Brooks joined the Company as an Assistant Manager in 1978 and was promoted to General Manager later that year. He was named Area Supervisor in 1979, Regional Director in 1982, Senior Vice President - Central Region Operations in 1987, and Senior Vice President - - Chili's Operations in 1992. He held this position until becoming President of Chili's in 1994. Mr. Brooks serves on the Board of Directors of Limbs for Life.

Donald J. Carty, 53, was named Chairman, President and Chief Executive Officer of AMR Corp. and American Airlines, Inc. in May 1998, after serving as President from March 1995 until May 1998. From 1989 to 1995, he served American Airlines, Inc. and AMR Corp. as Executive Vice President - Finance and Planning. He joined American in 1978 and held numerous finance and planning positions, with the exception of a two-year hiatus as President and Chief Executive Officer of CP Air in Canada. He serves on the Board of Directors of Dell Computer Corporation and Sabre Holdings Corporation. He also serves on the boards of the Canada-U.S. Foundation for Educational Exchange and the Dallas Chamber and is a member of the Dallas Citizens Council. Mr. Carty has served on the Board of Directors since June 1998 and is a member of the Executive Committee of the Company.

Dan W. Cook, III, 64, is a Senior Director of Goldman Sachs, an investment banking firm. Mr. Cook joined Goldman Sachs Group in 1961 and was a partner when he retired in 1992. Mr. Cook is a member of the Executive and Compensation Committees of the Company and has served as a member of the Board of Directors since October 1997. Mr. Cook also serves on the Board of Directors for Centex Corporation. Mr. Cook is a member of the Board of Trustees of Southern Methodist University as well as Vice-Chair of the Edwin L. Cox School of Business Executive Board.

Marvin J. Girouard, 60, is the Chairman, President and Chief Executive Officer of Pier 1 Imports, Inc., having been elected to the position of Chairman in February 1999, President in August 1988 and Chief Executive Officer in June 1998. Mr. Girouard previously served as Chief Operating Officer from 1988 to 1998. Mr. Girouard joined Pier 1 Imports in 1975 and has served on its Board of Directors since 1988. He serves as a Director for Tandy Brands Accessories, Inc. and is a member of the Executive Committee for the United States Committee for UNICEF - The United Nations Children's Emergency Fund. Mr. Girouard has served as a member of the Board of Directors since September 1998 and is a member of the Audit and Compensation Committees of the Company.

J. M. Haggar, Jr., 74, is currently the owner of J.M. Haggar, Jr. Investments, a land management and personal investments business he has operated since retiring as Chairman of the Board of Directors of Haggar Clothing Company in February 1995. Mr. Haggar previously held the positions of President and Chief Executive Officer of Haggar Clothing Company until 1991. Mr. Haggar is a member of the

Compensation and Audit Committees of the Company and has served as a member of the Company's Board of Directors since 1985.

Frederick S. Humphries, 63, is the President of Florida A&M University in Tallahassee, Florida, having held this position since 1985. Prior to joining Florida A&M University, Dr. Humphries was President of Tennessee State University in Nashville for over 10 years. Dr. Humphries serves as a member of the USDA Task Force of 1890 Land-Grant Institutions in addition to being involved in various civic and community activities. Dr. Humphries has served on the Board of Directors of the Company since May 1994 and is a member of the Audit Committee of the Company. He is also a member of the Board of Directors of Wal-Mart, Inc.

Ronald Kirk, 45, is currently Mayor of the City of Dallas and a partner in the law firm of Gardere & Wynne. He was elected Mayor in 1995, and previously served as Secretary of State of the State of Texas from 1994 to 1995. Mr. Kirk was engaged in the private practice of law from 1989 to 1994, served as an Assistant City Attorney for Dallas from 1983 to 1989 and as a legislative aide to U.S. Senator Lloyd Bentsen from 1983 to 1989. Mayor Kirk is an honors graduate of Austin College and earned his law degree from The University of Texas. Mayor Kirk has served on the Board of Directors since January 1997 and is a member of the Nominating Committee of the Company.

Jeffrey A. Marcus, 52, is a Partner of Marcus & Partners, a private equity investment firm he co-founded in March 1999. He previously served as President and Chief Executive Officer of Chancellor Media Corporation (radio broadcasting), from May 1998 until March 1999. Previously, Mr. Marcus was Chairman, President and Chief Executive Officer of Marcus Cable Company, a company he formed in 1990 after spending more than 20 years in the cable television industry. Mr. Marcus is active in several civic and charitable organizations. Mr. Marcus has served on the Board of Directors since January 1997 and is a member of the Executive Committee of the Company.

James E. Oesterreicher, 58, is the Chairman of the Board and Chief Executive Officer of J.C. Penney Company, Inc., having been elected to the position of Chairman of the Board in January 1997 and to the position of Vice Chairman and Chief Executive Officer in January 1995. Mr. Oesterreicher served as President of JCPenney Stores and Catalog from 1992 to 1995 and as Director of JCPenney Stores from 1988 to 1992. Mr. Oesterreicher has been with the J.C. Penney Company since 1964 where he started as a management trainee. He serves as a Director for various entities, including Texas Utilities Company (TXU Corp), Southwest Health Systems, National Retail Federation, Circle Ten Council - Boy Scouts of America, National Organization on Disability, March of Dimes Birth Defects Foundation, and the Conference Board. Mr. Oesterreicher has served as a member of the Board of Directors of the Company since May 1994 and is a member of the Compensation and Nominating Committees of the Company.

Roger T. Staubach, 57, has been Chairman of the Board and Chief Executive Officer of The Staubach Company, a national real estate company specializing in tenant representation, since 1982. Mr. Staubach is a 1965 graduate of the U.S. Naval Academy and served four years in the Navy as an officer. In 1968, he joined the Dallas Cowboys professional football team as quarterback and was elected to the National Football League Hall of Fame in 1985. He currently serves on the Board of Directors of American AAdvantage Funds and International Home Foods, Inc., and is active in numerous civic, charity and professional organizations. He has served as a member of the Board of Directors of the Company since 1993 and is a member of the Nominating Committee of the Company.

Executive Officers

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

Leslie Christon, 45, was elected On The Border Mexican Grill & Cantina ("On The Border") President in April 1997, having previously served as Vice President of Operations of On The Border since joining the Company in July 1996. Prior to this time, Ms. Christon held the position of Senior Vice President of Operations of Red Lobster Restaurants from November 1994 to June 1996, and she was with El Chico Restaurants, Inc. from June 1981 to November 1994. Ms. Christon serves on the Board of Directors of the Women's Foodservice Forum and is a past president of the Roundtable for Women in Foodservice, Inc.

Kenneth D. Dennis, 46, has been Cozymel's Coastal Mexican Grill ("Cozymel's") President since September 1997, having previously served as Senior Vice President and Chief Operating Officer of Cozymel's since February 1997. Mr. Dennis joined the Company as a Manager in 1976 and was named General Manager in 1978, Director of Internal Systems in 1979, and Director of Marketing in 1983. Mr. Dennis was promoted to Vice President of Marketing in 1986 and to Senior Vice President of Marketing in 1993, a position he held until February 1997. Mr. Dennis serves on the Board of Directors of the Marketing Executives Group and is a past Co-Chairman.

Todd E. Diener, 42, was elected Chili's Grill & Bar President in May 1998, having previously served as Chili's Senior Vice President and Chief Operating Officer since July 1996. Mr. Diener joined the Company as a Chili's Manager Trainee in 1981 and was promoted to General Manager in 1983, Area Director in 1985, and Regional Director in 1987. Mr. Diener became Regional Vice President in 1989, a position he held until July 1996.

Carol E. Kirkman, 42, was appointed Executive Vice President of Human Resources in June 1997 after serving as Senior Vice President of Human Resources since April 1996. Ms. Kirkman joined the Company as Corporate Counsel in 1990 and was promoted to Vice President/Assistant General Counsel in 1994. Ms. Kirkman was an attorney in private practice in Dallas, Texas, from 1982 until 1987 and worked as a commercial and retail real estate broker in southern California from 1987 until 1990.

John C. Miller, 44, has served as Romano's Macaroni Grill President since April 1997. Mr. Miller joined the Company as Vice President-Special Concepts in 1987. In 1988, he was elected Vice President - Joint Venture/Franchise and served in this capacity until 1993 when he was promoted to Senior Vice President - New Concept Development. Mr. Miller was named Senior Vice President - Mexican Concepts in September 1994 and was subsequently elected Senior Vice President and Mexican Concepts President in October 1995, a position he held until April 1997. Prior to joining the Company, Mr. Miller worked in various capacities with the Taco Bueno Division of Unigate Restaurants.

Russell G. Owens, 40, has served as Executive Vice President and Chief Financial and Strategic Officer since September 1997. Mr. Owens joined the Company in 1983 as Controller. He was elected Vice President of Planning in 1986 and Vice President of Operations Analysis in 1991. Mr. Owens was promoted to Senior Vice President of Operations Analysis in 1993 and was named Senior Vice President of Strategic Development - Italian Concepts in 1996, a position he held until being elected Chief Strategic Officer in June 1997. Prior to joining the Company, Mr. Owens worked for the public accounting firm, Deloitte & Touche.

Roger F. Thomson, 50, has served as Executive Vice President, Chief Administrative Officer, General Counsel and Secretary since June 1996. Mr. Thomson joined the Company as Senior Vice President, General Counsel and Secretary in 1993 and was promoted to Executive Vice President, General Counsel and Secretary in March 1994. Mr. Thomson served as a Director of the Company from 1993 until 1995. From 1988 until 1993, Mr. Thomson served as Senior Vice President, General Counsel and Secretary for Burger King Corporation. Prior to 1988, Mr. Thomson spent ten years at S & A

Restaurant Corp. where he was Executive Vice President, General Counsel and Secretary.

Mark F. Tormey, 46, has served as Maggiano's Little Italy President since November 1997, having joined the Company as Senior Vice President and Chief Operating Officer of Maggiano's Little Italy in August 1995. Prior to joining the Company, Mr. Tormey worked for Lettuce Entertain You Enterprises, Inc. since 1979. In 1991, Mr. Tormey opened the first Maggiano's Little Italy restaurant and worked with the Maggiano's Little Italy group at Lettuce Entertain You Enterprises, Inc. until its acquisition by the Company in August 1995.

David Wolfgram, 41, has served as Corner Bakery Cafe ("Corner Bakery") President since November 1997, having joined the Company as Senior Vice President and Chief Operating Officer of Corner Bakery in August 1995. Mr. Wolfgram joined Lettuce Entertain You Enterprises, Inc. in 1980 and served as Vice President and Managing Partner with Lettuce Entertain You Enterprises, Inc. from 1989 until Corner Bakery was acquired by the Company in August 1995.

Classes of Directors

For purposes of determining whether non-employee directors will be nominated for reelection to the Board of Directors, the non-employee directors have been divided into four classes. Each non-employee director will continue to be subject to reelection by the shareholders of the Company each year. However, after a non-employee director has served on the Board of Directors for four years, such director shall be deemed to have been advised by the Nominating Committee that he or she will not stand for reelection at the subsequent annual meeting of shareholders and shall be considered a "Retiring Director." Notwithstanding this policy, the Nominating Committee may determine that it is appropriate to renominate any or all of the Retiring Directors after first considering the appropriateness of nominating new candidates for election to the Board of Directors. The four classes of non-employee directors are as follows: Messrs. Girouard, Humphries and Oesterreicher comprise Class 1 and will be considered Retiring Directors as of the annual meeting of shareholders following the end of the 2002 fiscal year. There are no members of Class 2. Messrs. Haggar, Kirk and Marcus comprise Class 3 and will be considered Retiring Directors as of the annual meeting of shareholders following the end of the 2000 fiscal year. Messrs. Carty, Cook and Staubach comprise Class 4 and will be considered Retiring Directors as of the annual meeting of shareholders following the end of the 2001 fiscal year.

Committees of the Board of Directors

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

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

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

The purposes of the Nominating Committee are to recommend to the Board of Directors potential members to be added as new or replacement members to the Board of Directors, to review the compensation paid to non-management Board members, and to recommend corporate governance guidelines to the full Board of Directors. The Nominating Committee will consider a shareholder-recommended nomination for director to be voted upon at the 2000 annual meeting of shareholders provided that the recommendation must be in writing, set forth the name and address of the nominee, contain the consent of the nominee to serve, and be submitted on or before May 27, 2000. The Nominating Committee is composed of Messrs. Brinker, McDougall, Kirk, Oesterreicher, and Staubach and it met two times during the fiscal year.

During the fiscal year ended June 30, 1999, the Board of Directors held four meetings; each incumbent director attended at least 75% of the aggregate total of meetings of the Board of Directors and Committees on which he or she served.

Directors' Compensation

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

Directors who are not employees of the Company receive grants of stock options under the Company's 1991 Stock Option Plan for Non-Employee Directors and Consultants. A new director who is not an employee of the Company will receive as compensation (a) 20,000 stock options at the beginning of such director's term, and (b) an annual payment of $36,000, at least 25% of which must be taken in the form of stock options. If a director is appointed to the Board of Directors at any time other than at an annual meeting of shareholders, the director will receive a prorated portion of the annual cash compensation for the period from the date of election or appointment to the Board of Directors until the meeting of the Board of Directors held contemporaneous with the next annual meeting of shareholders. If a director elects to receive cash, the first payment will be made at the Board of Directors' meeting held contemporaneous with the next annual meeting of shareholders. The stock options will be granted as of the 60th day following such meeting (or if the 60th day is not a business day, on the first business day thereafter) at the fair market value on the date of grant. One-third (1/3) of the options will vest on each of the second, third and fourth anniversaries of the date of grant. If a director is a Retiring Director who is being nominated for an additional term on the Board of Directors, each such renominated director will receive an additional grant of 10,000 stock options at the beginning of such director's new term. If the 1999 Stock Option and Incentive Plan for Non-Employee Directors and Consultants is approved by the shareholders of the Company, an individual director will be given the option of substituting awards of restricted stock or stock options for cash in making his or her annual election regarding compensation.

EXECUTIVE COMPENSATION

The following summary compensation table sets forth the annual compensation for the Company's five highest compensated executive officers, including the Chief Executive Officer, whose salary and bonus exceeded $100,000 in fiscal 1999.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation Salary	Annual Compensation Bonus	Long-Term Compensation Awards Securities Underlying Options	Long-Term Compensation Payouts Long-Term Incentive Payouts	All Other Compensation (1)
Ronald A. McDougall						
Vice Chairman and	1999	$ 929,154	$1,080,142	200,000	$106,100	$ 20,652
Chief Executive	1998	$ 861,442	$1,033,731	200,000	$ 76,633	$ 30,397
Officer	1997	$ 825,000	$ 396,000	200,000	$ 67,289	$ 29,194
Douglas H. Brooks						
President and	1999	$ 541,154	$ 555,515	125,000	$ 69,505	$ 17,491
Chief Operating	1998	$ 387,308	$ 255,623	60,000	$ 45,980	$ 16,595
Officer	1997	$ 333,654	$ 120,462	50,000	$ 33,645	$ 20,818
Russell G. Owens						
Executive Vice	1999	$ 350,000	$ 271,251	75,000	$ 62,898	$ 14,220
President and Chief	1998	$ 286,577	$ 229,262	50,000	$ 37,473	$ 13,319
Financial and	1997	$ 187,231	$ 41,931	20,000	$ 26,916	$ 12,589
Strategic Officer						
Roger F. Thomson						
Executive Vice	1999	$ 349,885	$ 271,161	50,000	$ 79,575	$ 13,909
President, Chief	1998	$ 334,692	$ 267,754	50,000	$ 57,475	$ 16,501
Administrative Officer,	1997	$ 317,231	$ 104,940	50,000	$ 40,374	$ 16,680
General Counsel and						
Secretary						
John C. Miller						
Romano's Macaroni	1999	$ 329,792	$ 204,472	60,000	$ 63,660	$ 13,623
Grill President	1998	$ 305,631	$ 131,421	50,000	$ 38,317	$ 15,865
	1997	$ 277,461	$ 37,592	50,000	$ 26,916	$ 15,871

(1)All other compensation represents Company match on deferred compensation and various fringe benefits including car allowance and reimbursement of tax preparation, financial planning, and health club expenses.

Option Grants During 1999 Fiscal Year

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

Name	Options Granted	% of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price	Expiration Date	Realizable Value of Assumed Annual Rates of Stock Price Appreciation for Option Term (1) 5%	10%
Ronald A. McDougall	200,000	10.4%	$26.75	01/21/09	$3,364,586	$8,526,522
Douglas H. Brooks	125,000	6.5%	$26.75	01/21/09	$2,102,866	$5,329,076
Russell G. Owens	75,000	3.9%	$26.75	01/21/09	$1,261,720	$3,197,446
Roger F. Thomson	50,000	2.6%	$26.75	01/21/09	$ 841,147	$2,131,631
John C. Miller	60,000	3.1%	$26.75	01/21/09	$1,009,376	$2,557,957

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

Stock Option Exercises and Fiscal Year End Value Table

The following table shows stock option exercises by the named officers during the last fiscal year, including the aggregate value of gains on the date of exercise. In addition, this table includes the number of shares covered by both exercisable and non-exercisable stock options at fiscal year end. Also reported are the values for "in-the-money" options which represent the position spread between the exercise price of any such existing options and the $27.50 fiscal year end price of the Company's Common Stock.

Name	Shares Acquired On Exercise	Value Realized	Number of Unexercised Options at Fiscal Year End		Value of Unexercised In-the-Money Options at Fiscal Year End	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Ronald A. McDougall	252,500	$3,424,153	787,500	750,000	$7,943,593	$8,112,500
Douglas H. Brooks	94,925	$1,823,756	314,500	270,000	$4,323,112	$2,183,125
Russell G. Owens	14,739	$ 326,553	110,708	195,000	$1,402,600	$1,765,000
Roger F. Thomson	30,000	$ 412,500	167,500	185,000	$1,548,610	$1,991,875
John C. Miller	-0-	-0-	105,625	195,000	$1,282,971	$1,999,375

Long-Term Performance Share Plan and Awards

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

Name	Number of Units Awarded	Estimated Future Payouts Under Non-Stock Based Plans (Dollars)		
		Threshold	Target	Maximum
Ronald A. McDougall	2,000	*	$200,000	*
Douglas H. Brooks	1,500	*	$150,000	*
Russell G. Owens	1,000	*	$100,000	*
Roger F. Thomson	1,000	*	$100,000	*
John C. Miller	1,000	*	$100,000	*

* Future payouts under the Long-Term Performance Share Plan have no minimum threshold and have no maximum limit as set forth in more detail in "Report of the Compensation Committee - Long Term Incentives."

REPORT OF THE COMPENSATION COMMITTEE

Compensation Philosophy

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

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

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

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

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

Base Salaries

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

Annual Incentives

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

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

401(k) Savings Plan and Savings Plan II

On January 1, 1993, the Company implemented the 401(k) Savings Plan ("Plan I") and Savings Plan II ("Plan II"). These Plans are designed to provide the Company's employees with a tax-deferred long-term savings vehicle. The Company provides a matching contribution equal to twenty-five percent of a salaried participant's contribution, up to a maximum of five percent of such participant's base compensation.

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

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

Long-Term Incentives

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

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

The number of stock options granted to an executive is determined by the Compensation Committee and is based on grant guidelines set by the Compensation Committee that reflect market data and the officer's position within the Company.

During the 2000 fiscal year, annual grants of stock options to officers of the Company will be reduced. Pursuant to the Executive Long-Term Incentive Plan described in more detail below, the value of each officer's long-term compensation package will be reallocated among stock options, restricted stock and cash. Such restricted stock will vest fifty percent in two years and fifty percent in three years provided that certain performance objectives relating to the Company's revenues and earnings are attained.

Executives also participate in the Long-Term Performance Share Plan. The Long-Term Performance Share Plan is based on the Company's total shareholder return in comparison to the S&P 500 Index and the S&P Restaurant Industry Index. For executives to receive the target payout, the Company must perform at the 75th percentile of each index over a three-year cycle and must average at least ninety percent of its planned annual profit before taxes over the same three-year cycle. If approved by the shareholders of the Company, the Long-Term Performance Share Plan will be replaced by the Executive Long-Term Incentive Plan. The Executive Long-Term Incentive Plan is based upon the Company's earnings per share over a three year period in comparison to a target established by the Compensation Committee of the Board of Directors. For a restaurant concept president, the criteria will be the three-year profit before taxes for such restaurant concept as compared to the target established by the Compensation Committee of the Board of Directors. Any payouts made under the Executive Long-Term Incentive Plan shall be made one-half in cash and one-half in restricted stock, which restricted stock will vest one-third per year over the next three years. In order to transition from the current Long-Term Performance Share Plan, payouts for the cycle including fiscal years 1998, 1999, and 2000, will be paid out based upon the performance during the 1998 and 1999 fiscal years (on a prorata basis) in the form of restricted stock that will vest two-thirds in one year and one-third in two years. Payments under the Long-Term Performance Share Plan for the 1999, 2000, and 2001 three-year cycle will be paid out based upon the performance during the 1999 fiscal year (on a prorata basis) in the form of restricted stock that will vest two-thirds in one year and one-third in two years. The Executive Long-Term Incentive Plan will be phased in over a three-year period beginning in the 2000 fiscal year. Payouts under the Executive Long-Term Incentive Plan will commence following the 2000 fiscal year. The first payout will be based on the performance (either earnings per share for corporate officers or profit before taxes for concept presidents) for the 2000 fiscal year and the target payout will be one-third of the approved target payout. The second payout will occur following the completion of the 2001 fiscal year and will be based on the performance over the two-year period of fiscal years 2000 and 2001. The target payout will be two-thirds of the approved target payout. Full target payouts will become effective after the completion of the 2002 fiscal year when the performance results for the full 2000, 2001, and 2002 three-year cycle are known. These target payouts will be paid based upon performance against the three-year target earnings per share or profit before taxes amounts established by the Compensation Committee of the Board of Directors.

Pay/Performance Nexus

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

CEO Compensation

The Compensation Committee made decisions regarding Mr. McDougall's compensation package according to the guidelines discussed in the preceding sections. Mr. McDougall was awarded a salary increase in the amount of 5.4%, effective July 1, 1999, to recognize his vast experience in the restaurant industry, the Company's performance under his leadership and his significant contributions to the Company's continued success. Mr. McDougall was granted 2,000 units under the Long-Term Performance Share Plan for the cycle which includes fiscal years 1999, 2000, and 2001. Mr. McDougall was also granted 200,000 stock options under the Company's Stock Option and Incentive Plan. Approximately fifty-four percent of Mr. McDougall's cash compensation for fiscal 1999 was incentive pay pursuant to the Company's Profit Sharing Plan. Like all Company executives, Mr. McDougall's compensation is significantly affected by the Company's performance. In the 1999 fiscal year, Mr. McDougall's total cash compensation increased six percent from its level in the 1998 fiscal year.

Federal Income Tax Considerations

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

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

Respectfully submitted,
COMPENSATION COMMITTEE

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

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

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

CERTAIN TRANSACTIONS

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

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

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

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

The Company owns an office building and leases an adjacent office complex containing three buildings in order to allow for the expansion of its corporate headquarters. A company controlled by Roger T. Staubach, a director of the Company, was previously a subtenant in this office complex and paid approximately $511,500 in rent to the Company during the 1999 fiscal year pursuant to a lease entered into with an unrelated party prior to the acquisition of the office complex by the Company. This sublease terminated in April 1999. A company controlled by Mr. Staubach provided real estate brokerage services in connection with the purchase of land by the Company during the 1999 fiscal year and was paid $36,750 for such services by the property seller. In addition, a company controlled by Mr. Staubach provided real estate brokerage services during the 1999 fiscal year in connection with the renewal of a sublease by a third party tenant in the office complex leased by the Company and was paid $47,320 for such services by the Company.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED BALANCE SHEET AND RELATED CONDENSED CONSOLIDATED STATEMENT OF INCOME OF BRINKER INTERNATIONAL, INC. AS OF AND FOR THE 53-WEEK PERIOD ENDED JUNE 30, 1999, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1000

12-MOS
JUN-30-1999
JUN-30-1999
12,597
0
23,767
(280)
15,050
103,150
1,217,283
(403,907)
1,085,644
190,119
183,158
0
0
7,815
653,624
1,085,644
1,852,007
1,870,554
507,103
1,626,061
104,713
648
9,241
130,539
41,893
85,242
0
0
6,407
78,835
1.20
1.16

EXHIBIT 10(d)

BRINKER INTERNATIONAL, INC.
STOCK OPTION AND INCENTIVE PLAN

SECTION 1

GENERAL

1.1 Purpose. The Brinker International, Inc. Stock Option and Incentive Plan (the "Plan") has been established by Brinker International, Inc. (the "Company") (i) to attract and retain persons eligible to participate in the Plan; (ii) motivate Participants, by means of appropriate incentives, to achieve long-range goals; (iii) provide incentive compensation opportunities that are competitive with those of other similar companies; and (iv) further align Participants' interests with those of the Company's other shareholders through compensation that is based on the Company's common stock; and thereby promote the long-term financial interest of the Company and the Related Companies, including the growth in value of the Company's equity and enhancement of long-term shareholder return.

1.2 Participation. Subject to the terms and conditions of the Plan, the Committee shall determine and designate, from time to time, from among the Eligible Employees, those persons who will be granted one or more Awards under the Plan, and thereby become "Participants" in the Plan. In the discretion of the Committee, a Participant may be granted any Award permitted under the provisions of the Plan, and more than one Award may be granted to a Participant. Awards may be granted as alternatives to or replacement of awards outstanding under the Plan, or any other plan or arrangement of the Company or a Related Company (including a plan or arrangement of a business or entity, all or a portion of which is acquired by the Company or a Related Company).

1.3 Operation, Administration and Definitions. The operation and administration of the Plan, including the Awards made under the Plan, shall be subject to the provisions of Section 4 (relating to operation and administration). Capitalized terms in the Plan shall be defined as set forth in the Plan (including the definition provisions of Section 7 of the Plan).

SECTION 2

OPTIONS AND SARS

2.1 Definitions.

(a) The grant of an "Option" entitles the Participant to purchase shares of Stock at an Exercise Price established by the Committee. Options granted under this Section 2 may be either Incentive Stock Options or Non-Qualified Stock Options, as determined in the discretion of the Committee. An "Incentive Stock Option" is an Option that is intended to satisfy the requirements applicable to an "incentive stock option" described in section 422(b) of the Code. A "Non-Qualified Option" is an Option that is not intended to be an incentive stock option" as that term is described in section 422(b) of the Code.

(b) A stock appreciation right (an "SAR") entitles the Participant to receive, in cash or Stock (as determined in accordance with subsection 2.5), value equal to all or a portion of the excess of: (a) the Fair Market Value of a specified number of shares of Stock at the time of exercise; over (b) an Exercise Price established by the Committee.

2.2 Exercise Price. The "Exercise Price" of each Option and SAR granted under this Section 2 shall be established by the Committee or shall be determined by a method established by the Committee at the time the Option or SAR is granted, except that the Exercise Price shall not be less than 100% of the Fair Market Value of a share of Stock as of the Pricing Date. For purposes of the preceding sentence, the "Pricing Date" shall be the date on which the Option or SAR is granted, except that the Committee may provide that: (i) the Pricing Date is the date on which the recipient is hired or promoted (or similar event), if the grant of the Option or SAR occurs not more than 90 days after the date of such hiring, promotion or other event; and (ii) if an Option or SAR is granted in tandem with, or in substitution for, an outstanding Award, the Pricing Date is the date of grant of such outstanding Award.

2.3 Exercise. An Option and an SAR shall be exercisable in accordance with such terms and conditions and during such periods as may be established by the Committee.

2.4 Payment of Option Exercise Price. The payment of the Exercise Price of an Option granted under this Section 2 shall be subject to the following:

(a) Subject to the following provisions of this subsection 2.4, the full Exercise Price for shares of Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described in paragraph 2.4(c), payment may be made as soon as practicable after the exercise).

(b) The Exercise Price shall be payable in cash or by tendering shares of Stock (by either actual delivery of shares or by attestation, with such shares valued at Fair Market Value as of the day of exercise), or in any combination thereof, as determined by the Committee.

(c) The Committee may permit a Participant to elect to pay the Exercise Price upon the exercise of an Option by authorizing a third party to sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire Exercise Price and any tax withholding resulting from such exercise.

2.5 Settlement of Award. Distribution following exercise of an Option or SAR, and shares of Stock distributed pursuant to such exercise, shall be subject to such conditions, restrictions and contingencies as the Committee may establish. Settlement of SARs may be made in shares of Stock (valued at their Fair Market Value at the time of exercise), in cash, or in a combination thereof, as determined in the discretion of the Committee. The Committee, in its discretion, may impose such conditions, restrictions and contingencies with respect to shares of Stock acquired pursuant to the exercise of an Option or an SAR as the Committee determines to be desirable.

SECTION 3

OTHER STOCK AWARDS

3.1 Definition. A Stock Award is a grant of shares of Stock or of a right to receive shares of Stock (or their cash equivalent or a combination of both) in the future.

3.2 Restrictions on Stock Awards. Each Stock Award shall be subject to such conditions, restrictions and contingencies as the Committee shall determine. These may include continuous service and/or the achievement of Performance Measures. The Committee may designate a single goal criterion or multiple goal criteria for performance measurement purposes, with the measurement based on absolute Company or business unit performance and/or on performance as compared with that of other publicly traded companies. If the right to become vested in a Stock Award granted under this Section 3 is conditioned on the completion of a specified period of service with the Company and the Related Companies, without achievement of Performance Measures or other objectives being required as a condition of vesting, then the required period of service for vesting shall be not less than three years (subject to acceleration of vesting, to the extent permitted by the Committee, in the event of the Participant's death, disability, change in control or involuntary termination).

SECTION 4

OPERATION AND ADMINISTRATION

4.1 Effective Date. Subject to the approval of the shareholders of the Company at the Company's 1998 annual meeting of its shareholders, the Plan shall be effective as of September 3, 1998 (the "Effective Date"). The Plan shall be unlimited in duration and, in the event of Plan termination, shall remain in effect as long as any Awards under it are outstanding.

4.2 Shares Subject to Plan.

(a) (i) Subject to the following provisions of this subsection 4.2, the maximum number shares of Stock that may be delivered to Participants and their beneficiaries under the Plan shall be equal to the sum of: (I) 6 million shares of Stock and (II) any shares of Stock that are represented by awards granted under any prior plan of the Company in which employees are eligible to participate (the "Prior Plans"), which are forfeited, expire or are canceled without delivery of shares of Stock or which result in the forfeiture of shares of Stock back to the Company. The 6 million shares of Stock described above in subsection 4.2(a)(i)(I) may be issued over a period of not less than three years from the Effective Date.

(ii) Any shares of Stock granted under the Plan that are forfeited because of the failure to meet an Award contingency or condition shall again be available for delivery pursuant to new Awards granted under the Plan. To the extent any shares of Stock covered by an Award are not delivered to a Participant or beneficiary because the Award is forfeited or canceled, or the shares of Stock are not delivered because the Award is settled in cash, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan.

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

(iv) Shares of Stock delivered under the Plan in settlement, assumption or substitution of outstanding awards (or obligations to grant future awards) under the plans or arrangements of another entity shall not reduce the maximum number of shares of Stock available for delivery under the Plan, to the extent that such settlement, assumption or substitution as a result of the Company or a Related Company acquiring another entity (or an interest in another entity).

(b) Subject to paragraph 4.2(c), the following additional maximums are imposed under the Plan.

(i) The maximum number of shares of Stock that may be issued by Options intended to be Incentive Stock Options shall be 6 million shares.

(ii) The maximum number of shares of Stock that may be issued in conjunction with Awards granted pursuant to Section 3 (relating to Stock Awards) shall be 3 million shares.

(iii) The maximum number of shares that may be covered by Awards granted to any one individual pursuant to Section 2 (relating to Options and SARs) shall be 500,000 shares during any fiscal year.

(iv) The maximum payment that can be made for awards granted to any one individual pursuant to Section 3 (relating to Stock Awards) shall be $1,000,000 for any single or combined performance goals established for any fiscal year. If an Award granted under Section 3 is, at the time of grant, denominated in shares, the value of the shares of Stock for determining this maximum individual payment amount will be the Fair Market Value of a share of Stock on the first day of the applicable performance period.

(c) Subject to the provisions of Section 6 hereof, in the event of a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the Committee may adjust Awards to preserve the benefits or potential benefits of the Awards. Action by the Committee may include adjustment of: (i) the number and kind of shares which may be delivered under the Plan; (ii) the number and kind of shares subject to outstanding Awards; and (iii) the Exercise Price of outstanding Options and SARs as well as any other adjustments that the Committee determines to be equitable.

4.3 Limit on Distribution. Distribution of shares of Stock or other amounts under the Plan shall be subject to the following:

(a) Notwithstanding any other provision of the Plan, the Company shall have no liability to deliver any shares of Stock under the Plan or make any other distribution of benefits under the Plan unless such delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act of 1933), and the applicable requirements of any securities exchange or similar entity.

(b) To the extent that the Plan provides for issuance of stock certificates to reflect the issuance of shares of Stock, the issuance may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

4.4 Tax Withholding. Whenever the Company proposes or is required to distribute Stock under the Plan, the Company may require the recipient to remit to the Company an amount sufficient to satisfy any Federal, state and local tax withholding requirements prior to the delivery of any certificate for such shares or, in the discretion of the Committee, the Company may withhold from the shares to be delivered shares sufficient to satisfy all or a portion of such tax withholding requirements. Whenever under the Plan payments are to be made in cash, such payments may be net of an amount sufficient to satisfy any Federal, state and local tax withholding requirements.

4.5 Payment Shares. Subject to the overall limitation on the number of shares of Stock that may be delivered under the Plan, the Committee may use available shares of Stock as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of the Company or a Related Company, including the plans and arrangements of the Company or a Related Company acquiring another entity (or an interest in another entity).

4.6 Dividends and Dividend Equivalents. An Award may provide the Participant with the right to receive dividends or dividend equivalent payments with respect to Stock which may be either paid currently or credited to an account for the Participant, and may be settled in cash or Stock as determined by the Committee. Any such settlements, and any such crediting of dividends or dividend equivalents or reinvestment in shares of Stock, may be subject to such conditions, restrictions and contingencies as the Committee shall establish, including the reinvestment of such credited amounts in Stock equivalents.

4.7 Payments. Awards may be settled through cash payments, the delivery of shares of Stock, the granting of replacement Awards, or combination thereof as the Committee shall determine. Any Award settlement, including payment deferrals, may be subject to such conditions, restrictions and contingencies as the Committee shall determine. The Committee may permit or require the deferral of any Award payment, subject to such rules and procedures as it may establish, which may include provisions for the payment or crediting of interest, or dividend equivalents, including converting such credits into deferred Stock equivalents.

4.8 Transferability. Except as otherwise provided by the Committee, Awards under the Plan are not transferable except as designated by the Participant by will or by the laws of descent and distribution.

4.9 Form and Time of Elections. Unless otherwise specified herein, each election required or permitted to be made by any Participant or other person entitled to benefits under the Plan, and any permitted modification, or revocation thereof, shall be in writing filed with the Committee at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Committee shall require.

4.10 Agreement With Company. At the time of an Award to a Participant under the Plan, the Committee may require a Participant to enter into an agreement with the Company (the "Agreement") in a form specified by the Committee, agreeing to the terms and conditions of the Plan and to such additional terms and conditions, not inconsistent with the Plan, as the Committee may, in its sole discretion, prescribe.

4.11 Limitation of Implied Rights.

(a) Neither a Participant nor any other person shall, by reason of the Plan, acquire any right in or title to any assets, funds or property of the Company or any Related Company whatsoever, including, without limitation, any specific funds, assets, or other property which the Company or any Related Company, in their sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the stock or amounts, if any, payable under the Plan, unsecured by any assets of the Company or any Related Company. Nothing contained in the Plan shall constitute a guarantee that the assets of such companies shall be sufficient to pay any benefits to any person.

(b) The Plan does not constitute a contract of employment, and selection as a Participant will not give any employee the right to be retained in the employ of the Company or any Related Company, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. Except as otherwise provided in the Plan, no Award under the Plan shall confer upon the holder thereof any right as a shareholder of the Company prior to the date on which the individual fulfills all conditions for receipt of such rights.

4.12 Evidence. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

4.13 Action by Company or Related Company. Any action required or permitted to be taken by the Company or any Related

Company shall be by resolution of its board of directors, or by action of one or more members of the board (including a committee of the board) who are duly authorized to act for the board, or (except to the extent prohibited by applicable law or applicable rules of any stock exchange) by a duly authorized officer of the company.

4.14 Gender and Number. Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

SECTION 5

COMMITTEE

5.1 Administration. The authority to control and manage the operation and administration of the Plan shall be vested in the Compensation Committee (the "Committee") in accordance with this Section 5. The Committee shall be selected by the Board and shall consist of two or more members of the Board.

5.2 Powers of Committee. The authority to manage and control the operation and administration of the Plan shall be vested in the Committee, subject to the following:

(a) Subject to the provisions of the Plan, the Committee will have the authority and discretion to select from among the Eligible Employees those persons who shall receive Awards. to determine the time or times of receipt, to determine the types of Awards and the number of shares covered by the Awards, to establish the terms, conditions, performance criteria, restrictions, and other provisions of such Awards, and (subject to the restrictions imposed by Section 6) to cancel or suspend Awards. In making such Award determinations, the Committee may take into account the nature of services rendered by the individual, the individual's present and potential contribution to the Company's success and such other factors as the Committee deems relevant.

(b) Subject to the provisions of the Plan, the Committee will have the authority and discretion to determine the extent to which Awards under the Plan will be structured to conform to the requirements applicable to performance-based compensation as described in Code section 162(m), and to take such action, establish such procedures, and impose such restrictions at the time such Awards are granted as the Committee determines to be necessary or appropriate to conform to such requirements.

(c) Subject to the provisions of the Plan, the Committee will have the authority and discretion to establish terms and conditions of awards as the Committee determines to be necessary or appropriate to conform to applicable requirements or practices of jurisdictions outside of the United States.

(d) The Committee will have the authority and discretion to interpret the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan, to determine the terms and provisions of any agreements made pursuant to the Plan, and to make all other determinations that may be necessary or advisable for the administration of the Plan.

(e) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding.

(f) Except as otherwise expressly provided in the Plan, where the Committee is authorized to make a determination with respect to any Award, such determination shall be made at the time the Award is made, except that the Committee may reserve the authority to have such determination made by the Committee in the future (but only if such reservation is made at the time the Award is granted and is expressly stated in the Agreement reflecting the Award).

(g) In controlling and managing the operation and administration of the Plan, the Committee shall act by a majority of its then members, by meeting or by writing filed without a meeting. The Committee shall maintain and keep adequate records concerning the Plan and concerning its proceedings and acts in such form and detail as the Committee may decide.

5.3 Delegation by Committee. Except to the extent prohibited by applicable law or the applicable rules of a stock exchange and subject to the prior approval of the Board, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time.

5.4 Information to be Furnished to Committee. The Company and Related Companies shall furnish the Committee with such data and information as may be required for it to discharge its duties. The records of the Company and Related Companies as to an employee's or Participant's employment, termination of employment, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Participants and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

SECTION 6

ACCELERATION OF EXERCISABILITY AND VESTING UNDER CERTAIN CIRCUMSTANCES

Notwithstanding any provision in this Plan to the contrary, with regard to any Award of Options, SARs and Stock Awards to any Participant, unless the particular grant agreement provides otherwise, all Awards will become immediately exercisable and vested in full upon the occurrence, before the expiration or termination of such Option, SARs and Stock Awards or forfeiture of such Awards, of any of the events listed below:

(a) a sale, transfer or other conveyance of all or substantially all of the assets of the Company on a consolidated basis; or

(b) the acquisition of beneficial ownership (as such term is defined in Rule 13d-3 promulgated under the Exchange Act) by any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than the Company, directly or indirectly, of securities representing 50% or more of the total number of votes that may be cast for the election of directors of the Company; or

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

(d) the failure at any annual or special meeting of the Company's stockholders following an "election contest" subject to Rule 14a-11 promulgated under the Exchange Act, of any of the persons nominated by the Company in the proxy material mailed to stockholders by the management of the Company to win election to seats on the Board, excluding only those who die, retire voluntarily, are disabled or are otherwise disqualified in the interim between their nomination and the date of the meeting.

SECTION 7

AMENDMENT AND TERMINATION

The Committee may, at any time, amend or terminate the Plan, provided that, subject to subsection 4.2 (relating to certain adjustments to shares) and Section 6 hereof (relating to immediate vesting upon certain events), no amendment or termination may, in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the affected beneficiary), adversely affect the rights of any Participant or beneficiary under any Award granted under the Plan prior to the date such amendment is adopted by the Board.

SECTION 8

DEFINED TERMS

For purposes of the Plan, the terms listed below shall be defined as follows:

(a) Award. The term "Award" shall mean any award or benefit granted to any Participant under the Plan, including, without limitation, the grant of Options, SARs, and Stock Awards.

(b) Board. The term "Board" shall mean the Board of Directors of the Company.

(c) Code. The term "Code" means the Internal Revenue Code of 1986, as amended. A reference to any provision of the Code shall include reference to any successor provision of the Code.

(d) The term "Eligible Employee" shall mean any employee of the Company or a Related Company.

(e) Fair Market Value. For purposes of determining the "Fair Market Value" of a share of Stock, the following rules shall apply:

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

(ii) If the Stock is not at the time listed or admitted to trading on a stock exchange, the "Fair Market Value" shall be the mean between the lowest reported bid price and highest reported asked price of the Stock on the date in question in the over-the-counter market, as such prices are reported in a publication of general circulation selected by the Committee and regularly reporting the market price of Stock in such market.

(iii) If the Stock is not listed or admitted to trading on any stock exchange or traded in the over-the-counter market, the "Fair Market Value" shall be as determined in good faith by the Committee.

(f) Exchange Act. The term "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(g) Related Companies. The term "Related Company" means any company during any period in which it is a "parent company" (as that term is defined in Code section 424(e)) with respect to the Company, or a "subsidiary corporation" (as that term is defined in Code section 424(f)) with respect to the Company.

(h) Stock. The term "Stock" shall mean shares of common stock of the Company.