3:18-cv-686-J-32MCR

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA

Marlene Green-Cooper, Shenika Thomas, and Fred Sanders, individually and on behalf of all others similarly situated, Plaintiffs, v. Brinker International, Inc., Defendant.	Case No.: **CLASS ACTION COMPLAINT** **Jury Trial Demanded**

PLAINTIFFS' CLASS ACTION COMPLAINT

Plaintiffs, Marlene Green-Cooper, Shenika Thomas, and Fred Sanders ("Plaintiffs"), individually and on behalf of the Classes defined below of similarly situated persons, allege the following against Brinker International, Inc. ("Brinker") based upon personal knowledge with respect to themselves and on information and belief derived from, among other things, investigation of counsel and review of public documents as to all other matters:

NATURE OF THE CASE

1. Plaintiffs bring this class action case against Defendant Brinker for its failures to secure and safeguard customers' credit and debit card numbers and other payment card data ("PCD"), and other personally identifiable information ("PII") which Brinker collected at the time Plaintiffs made purchases at Chili's restaurants owned and operated by Brinker, and for failing to provide timely, accurate and adequate notice to Plaintiffs and other Class members that their PCD

and PII (hereinafter, collectively, "Customer Data") had been stolen and precisely what types of information were stolen.

2. On May 12, 2018, Brinker acknowledged that customers who from March through April 2018 used payment cards for transactions at certain corporate-owned Chili's restaurants located throughout the United States had their Customer Data stolen (the "Data Breach"). Brinker stated that "malware was used to gather payment card information including credit or debit card numbers as well as cardholder names from our payment-related systems for in-restaurant purchases at certain Chili's restaurants."[1]

3. This private Customer Data was compromised due to Brinker's acts and omissions and its failure to properly protect the Customer Data.

4. Brinker could have prevented this Data Breach. Data breaches at other restaurant chains and retail establishments in the last few years have been the result of malware installed on point-of-sale ("POS") systems. While many retailers, restaurant chains and other companies have responded to recent breaches by adopting technology that helps make transactions more secure, Brinker did not.

5. In addition to Brinker's failure to prevent the Data Breach, Brinker also failed to detect the breach for two months.

6. The Data Breach was the inevitable result of Brinker's inadequate approach to data security and the protection of the Customer Data that it collected during the course of its

[1] See Brinker International News Releases, *Notice of Unauthorized Access to Chili's Grill & Bar Guest Data*, *available at* http://brinker.mediaroom.com/ChilisDataIncident (last visited May 16, 2018).

business. The deficiencies in Brinker's data security were so significant that the malware installed by the hackers remained undetected and intact for months.

7. The susceptibility of POS systems to malware is well-known throughout the restaurant industry, as well as the retail industry. In the last five years, practically every major data breach involving retail stores or fast-food restaurant chains has been the result of malware placed on POS systems. Accordingly, data security experts have warned companies, "[y]our POS system is being targeted by hackers. This is a fact of 21st-century business."[2] Unfortunately, Brinker's profit-driven decisions to ignore these warning led to the damage upon which this case is based.

8. Brinker disregarded the rights of Plaintiffs and Class members by intentionally, willfully, recklessly, or negligently failing to take adequate and reasonable measures to ensure its data systems were protected, failing to disclose to its customers the material fact that it did not have adequate computer systems and security practices to safeguard Customer Data, failing to take available steps to prevent and stop the Breach from ever happening, and failing to monitor and detect the Breach on a timely basis.

9. As a result of the Brinker's Data Breach, the Customer Data of Plaintiffs and Class members has been exposed to criminals for misuse. The injuries suffered by Plaintiffs and Class members as a direct result of the Data Breach include:

a. unauthorized charges on their debit and credit card accounts;

b. theft of their personal and financial information;

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[2] Datacap Systems Inc., *Point of sale security: Retail data breaches at a glance*, https://www.datacapsystems.com/blog/point-of-sale-security-retail-data-breaches-at-a-glance# (last visited May 24, 2018).

c. costs associated with the detection and prevention of identity theft and unauthorized use of their financial accounts;

d. damages arising from the inability to use their debit or credit card accounts because their accounts were suspended or otherwise rendered unusable as a result of fraudulent charges stemming from the Data Breach, including but not limited to foregoing cash back rewards;

e. loss of use of and access to their account funds and costs associated with inability to obtain money from their accounts or being limited in the amount of money they were permitted to obtain from their accounts, including missed payments on bills and loans, late charges and fees, and adverse effects on their credit including decreased credit scores and adverse credit notations;

f. costs associated with time spent and the loss of productivity or the enjoyment of one's life from taking time to address and attempt to ameliorate, mitigate and deal with the actual and future consequences of the Data Breach, including finding fraudulent charges, cancelling and reissuing cards, purchasing credit monitoring and identity theft protection services, imposition of withdrawal and purchase limits on compromised accounts, and the stress, nuisance and annoyance of dealing with all issues resulting from the Data Breach;

g. the imminent and certainly impending injury flowing from potential fraud and identify theft posed by their Customer Data being placed in the hands of criminals and already misused via the sale of Plaintiffs' and Class members' information on the Internet black market;

h. money paid for products and services purchased at Brinker restaurants during the period of the Data Breach, in that Plaintiffs and Class members would not have dined at Chili's had Brinker disclosed that it lacked adequate systems and procedures to reasonably safeguard customers' Customer Data;

i. damages to and diminution in value of their Customer Data entrusted to Brinker for the sole purpose of purchasing products and services from Brinker; and

j. the loss of Plaintiffs and Class members' privacy.

10. The injuries to Plaintiffs and Class members were directly and proximately caused by Brinker's failure to implement or maintain adequate data security measures for Customer Data.

11. Further, Plaintiffs retain a significant interest in ensuring that their Customer Data, which, while stolen, remains in the possession of Brinker, is protected from further breaches, and seek to remedy the harms they have suffered on behalf of themselves and similarly situated consumers whose Customer Data was stolen as a result of the Data Breach.

12. Plaintiffs, on behalf of themselves and similarly situated consumers, seek to recover damages, equitable relief, including injunctive relief, to prevent a reoccurrence of the Data Breach and resulting injury, restitution, disgorgement, reasonable costs and attorneys' fees, and all other remedies this Court deems proper.

JURISDICTION AND VENUE

13. This Court has subject matter jurisdiction over this action under the Class Action Fairness Act, 28 U.S.C. § 1332(d)(2). The amount in controversy exceeds $5 million exclusive of interest and costs. There are more than 100 putative class members. And, at least some members of the proposed Class have a different citizenship from Brinker.

14. This Court has jurisdiction over Brinker as it operates restaurants serving the public, and it is at one of the restaurants in this District that Plaintiff Marlene Green-Cooper made a purchase using her payment card which led to the damages. Brinker also advertises in a variety of media throughout the United States, including Florida and this District. Through its business operations in this District, Brinker intentionally avails itself of the markets within this District to render the exercise of jurisdiction by this Court just and proper.

15. Venue is proper in this Court pursuant to 28 U.S.C. § 1391(a)(1) because a substantial part of the events and omissions giving rise to this action occurred in this District, Brinker operates restaurants within this District, and Brinker has caused harm to Class members residing in this District.

PARTIES

16. Plaintiff Marlene Green-Cooper is a citizen of the state of Florida.

17. Plaintiff Shenika Thomas is a citizen of the state of Texas.

18. Plaintiff Fred Sanders is a citizen of the state of Virginia.

19. Defendant Brinker International, Inc. is a Delaware corporation with its principal place of business located in Dallas, Texas.

20. Brinker "own[s], develop[s], operate[s] and franchise[s] the Chili's® Grill & Bar ('Chili's') and Maggiano's Little Italy® ('Maggiano's') restaurant brands." *See* Brinker Int'l, Inc. 2017 Form 10-K at 2, attached hereto as **Exhibit 1**.

21. Brinker's restaurant system consists of more than 1,600 restaurants and over 100,000 team members in 31 countries and two territories.[3]

[3] Maggiano's accounts for only 51 of these over 1,600 locations, however. *See*

22. Brinker restaurants accept payment for goods and services through a point of sale system ("POS system"), through which customers swipe credit and debit cards to pay.

STATEMENT OF FACTS

A. Consumer Plaintiffs' Transactions

28. On or around April 18, 2018, Plaintiff Marlene Green-Cooper purchased food at Chili's restaurant in Fleming Island, Florida using her Chase Amazon Credit Card.

29. Within days thereafter, Ms. Green-Cooper noticed three unauthorized charges on her account, even though she had physical possession of her card at all times. Ms. Green-Cooper then contacted her bank provider who completed an investigation and eventually issued a new Chase Credit Card. Ms. Green-Cooper continues to monitor her account on a daily basis in an effort to detect and prevent any further misuse.

28. The Chase Amazon Credit Card used by Ms. Green-Cooper and compromised in the Data Breach is connected to a cash-back rewards program. Whiles he was awaiting her new card, she had to use alternative methods of payment and, thus, lost the opportunity to accrue cash back rewards. Plaintiff Shenika Thomas dined at the Chili's in Garland, Texas during April 2018 paying for her purchases with her Visa debit card.

29. In early May 2018, Ms. Thomas noticed unauthorized charges on her debit card from locations in California, although she resides in Texas and at all times maintained physical possession of her card. Ms. Thomas contacted her bank, which issued a new payment card and it is currently investigating the unauthorized charges on her account: three fraudulent charges

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http://www.brinker.com/company/maggianos.html (last visited May 16, 2018); *see also* Exhibit 1 at 15.

amounting to approximately over $100.00. Ms. Thomas continues to monitor her account in an effort to detect and prevent any further misuse.

30. Plaintiff Fred Sanders dined at a Chili's restaurant in mid-April 2018 in Virginia Beach, Virginia, paying for his purchases with a Visa credit card.

31. In mid-May 2018, Mr. Sanders discovered fraudulent charges from earlier in the month of May on the Visa card account totaling $3,300. After discovering the charges, and then learning of this breach, Mr. Sanders had fraud alerts placed on his credit files with all three credit reporting agencies.

32. The Visa card used by Mr. Sanders and compromised in the Data Breach is connected to a cash-back rewards program. While he was awaiting his new card, he had to use alternative methods of payment and, thus, lost the opportunity to accrue rewards. Currently, a new card has been issued but the illicitly taken funds remain in dispute with his bank.

B. Brinker and Its Customer Data Collection Practices

51. In 2016, Brinker produced system-wide revenue of more than $3 billion. *See* Brinker 2017 Annual Report at its exhibit 13, pp. F-1.

52. Brinker operates Chili's Grill & Bar restaurants, a casual dining restaurant chain specializing in "Fresh Mex" and "Fresh Tex" dishes such as burgers, ribs, fajitas, and margaritas. The first Chili's restaurant opened in 1975 in Dallas, Texas and, since then, Chili's has expanded to over 1,600 restaurants worldwide, including approximately 1,000 restaurants owned and operated by Brinker (those at issue in this Data Breach) and the remainder operating under a franchisee license agreement. *See generally* Exhibit 1; *see also* Brinker, *Our Company, available at* http://brinker.com/company/default.html (last visited May 17, 2018); Brinker, *Our Brands –*

Chili's Grill & Bar, *available at* http://brinker.com/company/chilis.html (last visited May 17, 2018).

53. Chili's appeals to a broad population, with "[m]ore than 50 million Americans visit[ing] Chili's every three months." 2017 Annual Report at 6.

54. Notably, Chili's has long touted its technological innovation: "we . . . pioneered the use of tabletop devices inside the restaurants, which allow guests to order and re-order menu items, enjoy entertainment and assert more control over their dining experience by paying through the tabletop device when they choose." 2017 Annual Report at 2. "The Chili's brand has leveraged technology initiatives to create a digital guest experience that we believe will help us engage our guests more effectively. We have launched a new online ordering system that expands our current capabilities and gives our guests greater control of their to-go experience. Our upgraded Chili's mobile app provides the capability for digital curbside service where guests can order, pay and notify us of their arrival all through the app." *Id.* at 3.

55. "All domestic Chili's restaurants, with the exception of airport and college locations, are now outfitted with tabletop devices, which gives us the largest network of tabletop devices in the country. The Ziosk® branded tabletop device is a multi-functional device which provides ordering, guest survey and pay-at-the-table capabilities; loyalty program functionality; and entertainment." Brinker Int'l, Inc. 2016 Form 10-K at 3, attached hereto as **Exhibit 2**.

56. Given this express emphasis on technology at Chili's, however, Brinker also recognized certain inherent risks:

> **We are dependent on information technology, and any material failure in the operation or security of that technology or our ability to execute a comprehensive business continuity**

> **plan could impair our ability to efficiently operate our business.**
>
> We rely on information systems across our operations, including, for example, point-of-sale processing in our restaurants . . . . A security breach or cyber attack could include theft of credit card data or other personal information as well as our intellectual property. . . .
>
> **Failure to protect the integrity and security of individually identifiable data of our guests and teammates and confidential and proprietary information of the company could damage our reputation and expose us to loss of revenues and litigation.**
>
> We receive and maintain certain personal information about our guests and team members in our information technology systems, such as point-of-sale, web and mobile platforms, including our rewards program. . . . Like many other retail companies, we experience frequent attempts to compromise our systems . . . .

Exhibit 1 at 12. (emphasis in original).

57. Despite the recognition of these risks, however, Brinker failed to adequately secure its POS systems, placing the purchasing information of its customers at risk and resulting in the Data Breach.

58. A significant portion of sales at Brinker are made using credit or debit cards. When customers pay using credit or debit cards, Brinker collects Customer Data related to those cards including the cardholder name, the account number, expiration date, card verification value ("CVV"), and PIN data for debit cards. Brinker stores the Customer Data in its POS system and transmits this information to a third party for processing and completion of the payment.

59. At all relevant times, Brinker was well-aware, or reasonably should have been aware, that the Customer Data collected, maintained and stored in the POS systems is highly

sensitive, susceptible to attack, and could be used for wrongful purposes by third parties, such as identity theft and fraud.

60. It is well known and the subject of many media reports that Customer Data is highly coveted and a frequent target of hackers. Despite the frequent public announcements of data breaches at retailers and restaurant chains, Brinker maintained an insufficient and inadequate system to protect the Customer Data of Consumer Plaintiffs and Class members.

61. Customer Data is a valuable commodity because it contains not only payment card numbers but PII as well. A "cyber blackmarket" exists in which criminals openly post stolen payment card numbers, social security numbers, and other personal information on multiple underground Internet websites. Customer Data is valuable to identity thieves because they can use victims' personal data to open new financial accounts and take out loans in another person's name, incur charges on existing accounts, or clone ATM, debit, or credit cards.

62. Legitimate organizations and the criminal underground alike recognize the value of PII contained in a merchant's data systems; otherwise, they would not aggressively seek or pay for it. For example, in "one of 2013's largest breaches . . . not only did hackers compromise the [card holder data] of three million customers, they also took registration data [containing PII] from 38 million users."[4]

63. At all relevant times, Brinker knew, or reasonably should have known, of the importance of safeguarding Customer Data and of the foreseeable consequences that would occur

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[4] Verizon 2014 PCI Compliance Report, available at: https://www.cisco.com/c/dam/en_us/solutions/industries/docs/retail/verizon_pci2014.pdf(hereafter "2014 Verizon Report"), at 54 (last visited April 10, 2017).

if its data security system was breached, including, specifically, the significant costs that would be imposed on its customers as a result of a breach.

64. Brinker was, or should have been, fully aware of the significant volume of daily credit and debit card transactions at Chili's restaurants, amounting to tens of thousands of daily payment card transactions, and thus, the significant number of individuals who would be harmed by a breach of Brinker's systems.

65. Unfortunately, and as alleged below, despite all of this publicly available knowledge of the continued compromises of Customer Data in the hands of other third parties, such as retailers and restaurant chains, Brinker's approach to maintaining the privacy and security of the Customer Data of Plaintiffs and Class members was lackadaisical, cavalier, reckless, or at the very least, negligent.

C. Brinker Had Notice of Data Breaches Involving Malware on POS Systems

66. A wave of data breaches causing the theft of retail payment card information has hit the United States in the last several years.[5] In 2016, the number of U.S. data breaches surpassed 1,000, a record high and a forty percent increase in the number of data breaches from the previous year.[6] The amount of payment card data compromised by data breaches is massive. For example, it is estimated that over 100 million cards were compromised in 2013 and 2014.[7]

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[5] Identity Theft Resource Center, *Data Breaches Increase 40 Percent in 2016, Finds New Report From Identity Theft Resource Center and CyberScout* (Jan. 19, 2017), *available at* https://www.idtheftcenter.org/2016databreaches.html (last visited May 18, 2018).
[6] *Id.*
[7] Symantec, *A Special Report On Attacks On Point-of-Sale Systems*, p. 3 (Nov. 20, 2014), available at: https://origin-www.symantec.com/content/dam/symantec/docs/white-papers/attacks-on-point-of-sale-systems-en.pdf (last visited May 17, 2018).

67. Most of the massive data breaches occurring within the last several years involved malware placed on POS systems used by merchants. A POS system is an on-site device, much like an electronic cash register, which manages transactions from consumer purchases, both by cash and card. When a payment card is used at a POS terminal, "data contained in the card's magnetic stripe is read and then passed through a variety of systems and networks before reaching the retailer's payment processor."[8] The payment processor then passes on the payment information to the financial institution that issued the card and takes the other steps needed to complete the transaction.[9]

68. Before transmitting customer data over the merchant's network, POS systems typically, and very briefly, store the data in plain text within the system's memory.[10] The stored information includes "Track 1" and "Track 2" data from the magnetic strip on the payment card, such as the cardholder's first and last name, the expiration date of the card, and the CVV (three number security code on the card).[11] This information is unencrypted on the card and, at least briefly, will be unencrypted in the POS terminal's temporary memory as it processes the data. [12]

69. In order to directly access a POS device, hackers generally follow four steps: infiltration, propagation, exfiltration and aggregation.[13] In the infiltration phase, an "attacker gains

[8] *Id.* at 6.
[9] Salva Gomzin, *Hacking Point of Sale: Payment Application Secrets, Threats, and Solutions*, 8 (Wiley 2014), *available at:* http://1.droppdf.com/files/ISOmd/wiley-hacking-point-of-sale-payment-application-secrets-threats-and-solutions-2014.pdf (last visited July 18, 2017).
[10] *Id.* at 39.
[11] *Id.* at 43-50.
[12] Symantec, *supra* note 13, at 5.
[13] *Point of Sale Systems and Security: Executive Summary*, SANS Institute, 4 (Oct. 2014), available at: https://www.sans.org/reading-room/whitepapers/analyst/point-salesystems-security-executive-summary-35622 (last visited July 18, 2017).

access to the target environment"[14] allowing the hackers to move through a business's computer network, find an entry point into the area that handles consumer payments, and directly access the physical POS machines at in-store locations.[15] Once inside the system the attacker then infects the POS systems with malware, which "collects the desired information . . . and then exfiltrates the data to another system" called the "aggregation point."[16]

70. A 2016 report by Verizon confirmed the vast majority of successful breaches leverage legitimate credentials to gain access to the POS environment. Once attackers gain access to the POS devices, they install malware, usually a RAM scraper, to capture payment card data.[17]

71. Intruders with access to unencrypted Track 1 and Track 2 payment card data can physically replicate the card or use it online. Unsurprisingly, theft of payment card information via POS systems is now "one of the biggest sources of stolen payment cards."[18] For example, in 2013, hackers infiltrated Target, Inc.'s POS system, stealing information from an estimated 40 million payment cards in the United States. In 2014, over 7,500 self-checkout POS terminals at Home Depots throughout the United States were hacked, compromising roughly 56 million debit and credit cards.[19]

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[14] *Id.*
[15] Symantec, *supra* note 7, at 8.
[16] SANS Institute, *supra* note 13, at 4.
[17] Verizon, *2016 Breach Investigations Report*, at 33 *available at* https://www.verizonenterprise.com/resources/reports/rp_DBIR_2016_Report_en_xg.pdf (hereafter "2016 Verizon Report"), at 54 (last visited May 18, 2018).
[18] Symantec, *supra* note 7, at 3.
[19] Brett Hawkins, *Case Study: The Home Depot Data Breach*, 7 (SANS Institute, Jan. 2015), available at: https://www.sans.org/reading-room/whitepapers/casestudies/casestudy-home-depot-data-breach-36367 (last visited May 18, 2018).

72. Likewise, POS systems at more than 1,000 Wendy's restaurants were infiltrated with malware, resulting in the theft of payment cards data for approximately six-months.[20]

73. Given the numerous reports indicating the susceptibility of POS systems and consequences of a breach, Brinker was well aware or should have been aware of the need to safeguard its POS systems.

D. Brinker Failed to Comply with Industry Standards

74. Despite the vulnerabilities of POS systems, available security measures and reasonable businesses practices would have significantly reduced or eliminated the likelihood that hackers could successfully infiltrate business' POS systems.

75. The payment card networks (MasterCard, Visa, Discover, and American Express), data security organizations, state governments, and federal agencies have all implemented various standards and guidance on security measures designed to prevent these types of intrusions into POS systems. However, despite Brinker's understanding of the risk of data theft via malware installed on POS systems, and the widely available resources to prevent intrusion into POS data systems, Brinker failed to adhere to these guidelines and failed to take reasonable and sufficient protective measures to prevent the Data Breach.

76. Security experts have recommended specific steps that retailers should take to protect their POS systems. For example, four years ago, Symantec recommended "point to point encryption" implemented through secure card readers, which encrypt credit card information in the POS system, preventing malware that extracts card information through the POS memory

[20] Krebs on Security, *1,025 Wendy's Locations Hit in Card Breach* (July 8, 2016), https://krebsonsecurity.com/2016/07/1025-wendys-locations-hit-in-card-breach/ (last visited May 18, 2018).

while it processes the transaction.[21] Moreover, Symantec emphasized the importance of adopting EMV chip technology. Datacap Systems, a developer of POS systems, recommended similar preventative measures.[22]

77. The major payment card industry brands set forth specific security measures in their Card (or sometimes, Merchant) Operating Regulations. Card Operating Regulations are binding on merchants and require merchants to: (1) protect cardholder data and prevent its unauthorized disclosure; (2) store data, even in encrypted form, no longer than necessary to process the transaction; and (3) comply with all industry standards.

78. The Payment Card Industry Data Security Standard ("PCI DSS") is a set of requirements designed to ensure that companies maintain consumer credit and debit card information in a secure environment.[23]

79. The PCI DSS "was developed to encourage and enhance cardholder data security" by providing "a baseline of technical and operational requirements designed to protect account data."[24] PCI DSS sets the minimum level of what must be done, not the maximum.

80. PCI DSS 3.2, the version of the standards in effect at the time of the Data Breach, impose the following mandates on Brinker: [25]

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[21] Symantec, *supra* note 7, at 6.
[22] *See* Datacap Systems, *supra* note 2.
[23] *Payment Card Industry Data Security Standard* v3.2, at 5 (April 2016) available at https://www.pcisecuritystandards.org/document_library?category=pcidss&document=pci_dss (last visited July 21, 2017).
[24] *Id.*
[25] *Id.*

PCI Data Security Standard – High Level Overview

Build and Maintain a Secure Network and Systems	**1.** Install and maintain a firewall configuration to protect cardholder data **2.** Do not use vendor-supplied defaults for system passwords and other security parameters
Protect Cardholder Data	**3.** Protect stored cardholder data **4.** Encrypt transmission of cardholder data across open, public networks
Maintain a Vulnerability Management Program	**5.** Protect all systems against malware and regularly update anti-virus software or programs **6.** Develop and maintain secure systems and applications
Implement Strong Access Control Measures	**7.** Restrict access to cardholder data by business need to know **8.** Identify and authenticate access to system components **9.** Restrict physical access to cardholder data
Regularly Monitor and Test Networks	**10.** Track and monitor all access to network resources and cardholder data **11.** Regularly test security systems and processes
Maintain an Information Security Policy	**12.** Maintain a policy that addresses information security for all personnel

81. Among other things, PCI DSS required Brinker to properly secure and protect payment card data; not store cardholder data beyond the time necessary to authorize a transaction; maintain up-to-date antivirus software and a proper firewall; protect systems against malware; regularly test security systems; establish a process to identify and timely fix security vulnerabilities; and encrypt payment card data at the point of sale.

82. PCI DSS also required Brinker to not store "the full contents of…the magnetic stripe located on the back of a card" or "the card verification code or value" after authorization.[26]

83. Despite Brinker's awareness of its data security obligations, Brinker's treatment of PCD and PII entrusted to it by its customers fell far short of satisfying Brinker's legal duties and obligations, and included violations of the PCI DSS. Brinker failed to ensure that access to its data systems was reasonably safeguarded, failed to acknowledge and act upon industry warnings and failed to use proper security systems to detect and deter the type of attack that occurred and is at issue here.

[26] *Id.* at 38 (PCI DSS 3.2.1 and 3.2.2).

E. Brinker Failed to Comply With FTC Requirements

84. Federal and State governments have likewise established security standards and issued recommendations to temper data breaches and the resulting harm to consumers and financial institutions. The Federal Trade Commission ("FTC") has issued numerous guides for business highlighting the importance of reasonable data security practices. According to the FTC, the need for data security should be factored into all business decision-making.[27]

85. In 2016, the FTC updated its publication, *Protecting Personal Information: A Guide for Business*, which established guidelines for fundamental data security principles and practices for business.[28] The guidelines note businesses should protect the personal customer information that they keep; properly dispose of personal information that is no longer needed; encrypt information stored on computer networks; understand their network's vulnerabilities; and implement policies to correct security problems. The guidelines also recommend that businesses use an intrusion detection system to expose a breach as soon as it occurs; monitor all incoming traffic for activity indicating someone is attempting to hack the system; watch for large amounts of data being transmitted from the system; and have a response plan ready in the event of a breach.

86. The FTC recommends that companies not maintain cardholder information longer than is needed for authorization of a transaction; limit access to sensitive data; require complex passwords to be used on networks; use industry-tested methods for security; monitor for

[27] Federal Trade Commission, *Start With Security*, available at https://www.ftc.gov/system/files/documents/plain-language/pdf0205-startwithsecurity.pdf (last visited May 18, 2018).

[28] Federal Trade Commission, *Protecting Personal Information: A Guide for Business*, available at https://www.ftc.gov/system/files/documents/plain-language/pdf-0136_proteting-personal-information.pdf (last visited May 18, 2018).

suspicious activity on the network; and verify that third-party service providers have implemented reasonable security measures.[29]

87. The FTC has brought enforcement actions against businesses for failing to adequately and reasonably protect customer data, treating the failure to employ reasonable and appropriate measures to protect against unauthorized access to confidential consumer data as an unfair act or practice prohibited by Section 5 of the Federal Trade Commission Act ("FTCA"), 15 U.S.C. § 45. Orders resulting from these actions further clarify the measures businesses must take to meet their data security obligations.

88. Brinker's failure to employ reasonable and appropriate measures to protect against unauthorized access to confidential consumer data constitutes an unfair act or practice prohibited by Section 5 of the FTC Act, 15 U.S.C. § 45.

89. In this case, Brinker was at all times fully aware of its obligation to protect the financial data of Brinker's customers because of its participation in payment card processing networks. Brinker was also aware of the significant repercussions if it failed to do so because Brinker collected payment card data from tens of thousands of customers daily and they knew that this data, if hacked, would result in injury to consumers, including Plaintiffs and Class members.

90. Despite understanding the consequences of inadequate data security, Brinker failed to comply with PCI DSS requirements and failed to take additional protective measures beyond those required by PCI DSS.

91. Despite understanding the consequences of inadequate data security, Brinker operated POS systems with outdated operating systems and software; failed to enable point-to-

[29] FTC, *Start With Security*, *supra* note 27.

point and end-to-end encryption; and, failed to take other measures necessary to protect its data network.

F. The Brinker Data Breach

92. As early as 2009, Brinker was well-aware of the risks of a data breach:

> We are dependent on information technology and any material failure of that technology could impair our ability to efficiently operate our business.
>
> We rely on information systems across our operations, including, for example, point-of-sale processing in our restaurants, management of our supply chain, collection of cash, payment of obligations and various other processes and procedures. Our ability to efficiently manage our business depends significantly on the reliability and capacity of these systems. The failure of these systems to operate effectively, problems with maintenance, upgrading or transitioning to replacement systems, or a breach in security of these systems could cause delays in customer service and reduce efficiency in our operations. Significant capital investments might be required to remediate any problems.

Brinker Int'l, Inc., 2009 Form 10-k, attached as **Exhibit 3**.

93. Further, in the years following this acknowledgment of the risks, massive data breaches plagued the restaurant industry, including national restaurant chains such as Wendy's, Arby's, Chipotle, Popeye's, Noodles & Co., and P.F. Chang's. Based on the data breaches within the restaurant industry, and Brinker's own acknowledgment of the risks as stated above, Brinker knew or should have known that its systems were at risk for a similar malware data breach.

94. Beginning in March 2018, hackers gained access to Brinker's data network and installed malware on Chili's POS systems.[30] The malware allowed the thieves to download and steal copies of Brinker customers' Customer Data.

[30] http://brinker.mediaroom.com/2018-05-12-Notice-of-Unauthorized-Access-to-Chilis-R-Grill-

95. The breach became public on May 12, 2018 through Brinker's announcement. The announcement came approximately two months after the breach began. Brinker, however, failed to provide any information about the scope or extent of the breach. The announcement in full was:

> On May 11th, 2018, we learned that payment card information of some of our Guests who visited certain Chili's® Grill & Bar corporate-owned restaurants have been compromised in a data incident. Currently, we believe the data incident was limited to between March – April 2018; however, we continue to assess the scope of the incident.
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> Upon learning of this incident, we immediately activated our response plan. We are working with third-party forensic experts to conduct a thorough investigation to determine the details of what happened. Law enforcement has been notified of this incident and we will continue to fully cooperate.
>
> While the investigation is still ongoing, we believe that malware was used to gather payment card information, including credit or debit card numbers and cardholder names, from our payment-related systems for in-restaurant purchases at certain Chili's restaurants.
>
> We deeply value our relationships with our Guests and our priority remains doing what is right for them. We are committed to sharing additional information on this ongoing investigation. More details can be found at: http://brinker.mediaroom.com/ChilisDataIncident.

96. This payment card data was compromised due to Brinker's acts and omissions and its failure to properly protect the Customer Data, despite being aware of recent data breaches impacting other national restaurant chains, including the one at P.F. Chang's, Arby's, Chipotle, and Wendy's.

97. In addition to Brinker's failure to prevent the Data Breach, Brinker also failed to detect the breach for nearly two months.

98. Intruders, therefore, had months to collect payment card data unabated. During this time, Brinker failed to recognize its systems had been breached and that intruders were stealing data on millions of payment cards. Timely action by Brinker likely would have significantly reduced the consequences of the breach. Instead, Brinker took more than two months to realize its systems had been breached, and thus contributed to the scale of the breach and the resulting damages.

99. The Data Breach occurred because Brinker failed to implement adequate data security measures to protect its POS networks from the potential danger of a data breach, and failed to implement and maintain reasonable security procedures and practices appropriate to the nature and scope of the Customer Data compromised in the Data Breach.

100. While many merchants and vendors have responded to recent breaches by adopting technology and security practices that help make transactions and stored data more secure, Brinker has not done so.

101. The Data Breach was caused and enabled by Brinker's knowing violation of their obligations to abide by best practices and industry standards in protecting Customer Data.

G. The Brinker Data Breach Caused Harm and Will Result in Additional Fraud

102. Without detailed disclosure to Chili's customers, consumers, including Plaintiffs and Class members, have been left exposed, unknowingly and unwittingly, for months to continued misuse and ongoing risk of misuse of their personal information without being able to take necessary precautions to prevent imminent harm.

103. The ramifications of Brinker's failure to keep Plaintiffs' and Class members' data secure are severe.

104. The FTC defines identity theft as "a fraud committed or attempted using the identifying information of another person without authority."[31] The FTC describes "identifying information" as "any name or number that may be used, alone or in conjunction with any other information, to identify a specific person."[32]

105. Personal identifying information is a valuable commodity to identity thieves once the information has been compromised. As the FTC recognizes, once identity thieves have personal information, "they can drain your bank account, run up your credit cards, open new utility accounts, or get medical treatment on your health insurance."[33]

106. Identity thieves can use personal information, such as that of Plaintiffs and Class members, which Brinker failed to keep secure, to perpetrate a variety of crimes that harm victims. For instance, identity thieves may commit various types of government fraud such as: immigration fraud; obtaining a driver's license or identification card in the victim's name but with another's picture; using the victim's information to obtain government benefits; or filing a fraudulent tax return using the victim's information to obtain a fraudulent refund.

107. Javelin Strategy and Research reports that identity thieves have stolen $112 billion in the past six years.[34]

108. Reimbursing a consumer for a financial loss due to fraud does not make that individual whole again. On the contrary, identity theft victims must spend numerous hours and

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[31] 17 C.F.R § 248.201 (2013).
[32] *Id.*
[33] Federal Trade Commission, *Warning Signs of Identity Theft*, available at: https://www.consumer.ftc.gov/articles/0271-warning-signs-identity-theft (last visited April 10, 2017).
[34] *See* https://www.javelinstrategy.com/coverage-area/2016-identity-fraud-fraud-hits-inflection-point (last visited April 10, 2017).

their own money repairing the impact to their credit. After conducting a study, the Department of Justice's Bureau of Justice Statistics ("BJS") found that identity theft victims "reported spending an average of about 7 hours clearing up the issues" and resolving the consequences of fraud in 2014.[35]

109. There may be a time lag between when harm occurs versus when it is discovered, and also between when PII or PCD is stolen and when it is used. According to the U.S. Government Accountability Office ("GAO"), which conducted a study regarding data breaches:

> [L]aw enforcement officials told us that in some cases, stolen data may be held for up to a year or more before being used to commit identity theft. Further, once stolen data have been sold or posted on the Web, fraudulent use of that information may continue for years. As a result, studies that attempt to measure the harm resulting from data breaches cannot necessarily rule out all future harm.[36]

110. Thus, Plaintiffs and Class members now face years of constant surveillance of their financial and personal records, monitoring, and loss of rights. The Class is incurring and will continue to incur such damages in addition to any fraudulent credit and debit card charges incurred by them and the resulting loss of use of their credit and access to funds, whether or not such charges are ultimately reimbursed by the credit card companies.

H. Plaintiffs and Class Members Suffered Damages

111. The Customer Data of Plaintiffs and Class members is private and sensitive in nature and was left inadequately protected by Brinker. Brinker did not obtain Plaintiff's and

[35] Victims of Identity Theft, 2014 (Sept. 2015) available at: http://www.bjs.gov/content/pub/pdf/vit14.pdf (last visited April 10, 2017).
[36] GAO, Report to Congressional Requesters, at 29 (June 2007), available at http://www.gao.gov/new.items/d07737.pdf (last visited April 10, 2017).

Class members' consent to disclose their Customer Data to any other person as required by applicable law and industry standards.

112. The Data Breach was a direct and proximate result of Brinker's failure to properly safeguard and protect Plaintiffs' and Class members' Customer Data from unauthorized access, use, and disclosure, as required by various state and federal regulations, industry practices, and the common law, including Brinker's failure to establish and implement appropriate administrative, technical, and physical safeguards to ensure the security and confidentiality of Plaintiffs' and Class members' Customer Data to protect against reasonably foreseeable threats to the security or integrity of such information.

113. Brinker had the resources to prevent a breach. Brinker made significant expenditures to market its products, but neglected to adequately invest in data security, despite the growing number of POS intrusions and several years of well-publicized data breaches.

114. Had Brinker remedied the deficiencies in its POS systems, followed PCI DSS guidelines, and adopted security measures recommended by experts in the field, Brinker would have prevented intrusion into its POS systems and, ultimately, the theft of its customers' confidential payment card information.

115. As a direct and proximate result of Brinker's wrongful actions and inaction and the resulting Data Breach, Plaintiffs and Class members have been placed at an imminent, immediate, and continuing increased risk of harm from identity theft and identity fraud, requiring them to take the time which they otherwise would have dedicated to other life demands such as work and effort to mitigate the actual and potential impact of the Data Breach on their lives including, inter alia, by placing "freezes" and "alerts" with credit reporting agencies, contacting

their financial institutions, closing or modifying financial accounts, closely reviewing and monitoring their credit reports and accounts for unauthorized activity, and filing police reports. This time has been lost forever and cannot be recaptured. In all manners of life in this country, time has constantly been recognized as compensable, for many consumers it is the way they are compensated, and even if retired from the work force, consumers should be free of having to deal with the consequences of a retailer's slippage, as is the case here.

116. Brinker's wrongful actions and inaction directly and proximately caused the theft and dissemination into the public domain of Plaintiffs' and Class members' Customer Data, causing them to suffer, and continue to suffer, economic damages and other actual harm for which they are entitled to compensation, including:

a. theft of their personal and financial information;

b. unauthorized charges on their debit and credit card accounts;

c. the imminent and certainly impending injury flowing from potential fraud and identity theft posed by their credit/debit card and personal information being placed in the hands of criminals and already misused via the sale of Plaintiffs' and Class members' information on the Internet card black market;

d. the untimely and inadequate notification of the Data Breach;

e. the improper disclosure of their Customer Data;

f. loss of privacy;

g. money paid for food purchased at Chili's restaurants during the period of the Data Breach in that Plaintiffs and Class members would not have dined at Chili's, or at least would not have used their payment cards for purchases, had Brinker disclosed that it lacked adequate systems and procedures to reasonably safeguard customers' financial and personal information and had Brinker provided timely and accurate notice of the Data Breach;

h. ascertainable losses in the form of out-of-pocket expenses and the value of their time reasonably incurred to remedy or mitigate the effects of the Data Breach;

i. ascertainable losses in the form of deprivation of the value of their PII and PCD, for which there is a well-established national and international market;

j. ascertainable losses in the form of the loss of cash back or other benefits as a result of their inability to use certain accounts and cards affected by the Data Breach;

k. loss of use of, and access to, their account funds and costs associated with the inability to obtain money from their accounts or being limited in the amount of money they were permitted to obtain from their accounts, including missed payments on bills and loans, late charges and fees, and adverse effects on their credit including adverse credit notations; and,

l. the loss of productivity and value of their time spent to address, attempt to ameliorate, mitigate, and deal with the actual and future consequences of the Data Breach, including finding fraudulent charges, cancelling and reissuing cards, purchasing credit monitoring and identity theft protection services, imposition of withdrawal and purchase limits on compromised accounts, and the stress, nuisance and annoyance of dealing with all such issues resulting from the Data Breach.

117. While the Customer Data of Plaintiffs and members of the Class has been stolen, Brinker continues to hold Customer Data of consumers, including Plaintiffs and Class members. Particularly because Brinker has demonstrated an inability to prevent a breach or stop it from continuing even after being detected, Plaintiffs and members of the Class have an undeniable interest in insuring that their Customer Data is secure, remains secure, is properly and promptly destroyed and is not subject to further theft.

CLASS ALLEGATIONS

118. Plaintiffs seek relief on behalf of themselves and as representatives of all others who are similarly situated. Pursuant to Rule 23(a), (b)(2), (b)(3) and (c)(4), Fed. R.Civ. P., Plaintiffs seek certification of a Nationwide class defined as follows:

> All persons residing in the United States who made a credit or debit card purchase at any affected Chili's location during the period of the Data Breach (the "Nationwide Class").

119. Pursuant to Rule 23, and in the alternative to claims asserted on behalf of the Nationwide Class, Plaintiffs assert claims under the laws of the individual States of Florida, Virginia, and Texas, and on behalf of separate statewide classes, defined as follows:

> All persons residing in [Florida, Virginia, or Texas] who made a credit or debit card purchase at any affected Chili's location during the period of the Data Breach (the "Statewide Classes").

120. Excluded from each of the above Classes are Brinker and any of its affiliates, parents or subsidiaries; all employees of Brinker; all persons who make a timely election to be excluded from the Class; government entities; and the judges to whom this case is assigned and their immediate family and court staff.

121. Plaintiffs hereby reserve the right to amend or modify the class definition with greater specificity or division after having had an opportunity to conduct discovery.

122. Each of the proposed Classes meets the criteria for certification under Rule 23(a), (b)(2), (b)(3) and (c)(4).

123. **Numerosity. Fed. R. Civ. P. 23(a)(1).** Consistent with Rule 23(a)(1), the members of the Class are so numerous and geographically dispersed that the joinder of all members is impractical. While the exact number of Class members is unknown to Plaintiffs at this time, the proposed Class include potentially millions of customers whose data was compromised in the Data Breach. Class members may be identified through objective means. Class members may be notified of the pendency of this action by recognized, Court-approved notice dissemination methods, which may include U.S. mail, electronic mail, internet postings, and/or published notice.

124. **Commonality. Fed. R. Civ. P. 23(a)(2) and (b)(3).** Consistent with Rule 23(a)(2) and with 23(b)(3)'s predominance requirement, this action involves common questions of law and fact that predominate over any questions affecting individual Class members. The common questions include:

a. Whether Brinker had a duty to protect Customer Data;

b. Whether Brinker knew or should have known of the susceptibility of its POS systems to a data breach;

c. Whether Brinker's security measures to protect their POS systems were reasonable in light of the PCI DSS requirements, FTC data security recommendations, and best practices recommended by data security experts;

d. Whether Brinker was negligent in failing to implement reasonable and adequate security procedures and practices;

e. Whether Brinker's failure to implement adequate data security measures allowed the breach of its POS data systems to occur;

f. Whether Brinker's conduct constituted unfair or deceptive trade practices;

g. Whether Brinker's conduct, including its failure to act, resulted in or was the proximate cause of the breach of its systems, resulting in the loss of the Customer Data of Plaintiffs and Class members;

h. Whether Plaintiffs and Class members were injured and suffered damages or other acceptable losses because of Brinker's failure to reasonably protect its POS systems and data network; and,

i. Whether Plaintiffs and Class members are entitled to relief.

125. **Typicality. Fed. R. Civ. P. 23(a)(3).** Consistent with Rule 23(a)(3), Plaintiffs' claims are typical of those of other Class members. Plaintiffs are consumers who used their payment cards at affected Chili's locations and had their cards compromised as a result of the Data Breach. Plaintiffs' damages and injuries are akin to other Class members and Plaintiffs seek relief consistent with the relief of the Class.

126. **Adequacy. Fed. R. Civ. P. 23(a)(4).** Consistent with Rule 23(a)(4), Consumer Plaintiffs are adequate representatives of the Class because Plaintiffs are members of the Class and are committed to pursuing this matter against Brinker to obtain relief for the Class. Plaintiffs have no conflicts of interest with the Class. Plaintiffs' Counsel are competent and

experienced in litigating class actions, including privacy litigation. Plaintiffs intend to vigorously prosecute this case and will fairly and adequately protect the Class's interests.

127. **Superiority. Fed. R. Civ. P. 23(b)(3).** Consistent with Rule 23(b)(3), a class action is superior to any other available means for the fair and efficient adjudication of this controversy, and no unusual difficulties are likely to be encountered in the management of this class action. The quintessential purpose of the class action mechanism is to permit litigation against wrongdoers even when damages to individual plaintiffs may not be sufficient to justify individual litigation. Here, the damages suffered by Plaintiffs and the Class are relatively small compared to the burden and expense required to individually litigate their claims against Brinker, and thus, individual litigation to redress Brinker's wrongful conduct would be impracticable. Individual litigation by each Class member would also strain the court system. Individual litigation creates the potential for inconsistent or contradictory judgments, and increases the delay and expense to all parties and the court system. By contrast, the class action device presents far fewer management difficulties and provides the benefits of a single adjudication, economies of scale, and comprehensive supervision by a single court.

128. **Injunctive and Declaratory Relief.** Class certification is also appropriate under Rule 23(b)(2) and (c). Defendant, through its uniform conduct, acted or refused to act on grounds generally applicable to the Class as a whole, making injunctive and declaratory relief appropriate to the Class as a whole.

129. Likewise, particular issues under Rule 23(c)(4) are appropriate for certification because such claims present only particular, common issues, the resolution of which would

advance the disposition of this matter and the parties' interests therein. Such particular issues include, but are not limited to:

a. Whether Brinker failed to timely notify the public of the Breach;

b. Whether Brinker owed a legal duty to Plaintiffs and the Class to exercise due care in collecting, storing, and safeguarding their Customer Data;

c. Whether Brinker's security measures to protect is POS systems were reasonable in light of the PCI DSS requirements, FTC data security recommendations, and other best practices recommended by data security experts;

d. Whether Brinker's failure to adequately comply with PCI DSS standards and/or to institute protective measures beyond PCI DSS standards amounted to negligence;

e. Whether Brinker failed to take commercially reasonable steps to safeguard the Customer Data of Plaintiffs and the Class members; and,

f. Whether adherence to PCI DSS requirements, FTC data security recommendations, and measures recommended by data security experts would have reasonably prevented the Data Breach.

130. Finally, all members of the proposed Classes are readily ascertainable. Brinker has access to information regarding which of its restaurants were affected by the Data Breach, the time period of the Data Breach, and which customers were potentially affected. Using this information, the members of the Class can be identified and their contact information ascertained for purposes of providing notice to the Class.

COUNT I
BREACH OF IMPLIED CONTRACT
(ON BEHALF OF CONSUMER PLAINTIFFS AND THE NATIONWIDE CLASS, OR, ALTERNATIVELY, CONSUMER PLAINTIFFS AND THE SEPARATE STATEWIDE CLASSES)

131. Consumer Plaintiffs restate and reallege Paragraphs 1 through 130 as if fully set forth herein.

132. Brinker solicited and invited Plaintiffs and Class members to eat at its restaurants and make purchases using their credit or debit cards as form of payment. Plaintiffs and Class members accepted Brinker's offers and used their credit or debit cards to make purchases at Chili's restaurants during the period of the Data Breach.

133. When Consumer Plaintiffs and Class members purchased and paid for Brinker's services and food products at Chili's using payment cards, they provided their Customer Data, including but not limited to the PII and PCD contained on the face of, and embedded in the magnetic strip of, their debit and credit cards. In so doing, Plaintiffs and Class members entered into mutually agreed-upon implied contracts with Brinker pursuant to which Brinker agreed to safeguard and protect such information and to timely and accurately notify Plaintiffs and Class members if their data had been breached and compromised.

134. Plaintiffs and Class members would not have provided and entrusted their PII and PCD, including all information contained in the magnetic stripes of their credit and debit cards, to Brinker to eat at its restaurants and make purchases in the absence of the implied contract between them and Brinker.

135. Plaintiffs and Class members fully performed their obligations under the implied contracts with Brinker.

136. Brinker breached the implied contracts it made with Plaintiffs and Class members by failing to safeguard and protect the PII and PCD of Consumer Plaintiffs and Class members and by failing to provide timely and accurate notice to them that their Customer Data was compromised as a result of the Data Breach.

137. As a direct and proximate result of Brinker's breaches of the implied contracts between Brinker and Plaintiffs and Class members, Plaintiffs and Class members sustained actual losses and damages as described in detail above.

COUNT II
NEGLIGENCE
(ON BEHALF OF CONSUMER PLAINTIFFS AND THE NATIONWIDE CLASS, OR, ALTERNATIVELY, CONSUMER PLAINTIFFS AND THE SEPARATE STATEWIDE CLASSES)

138. Consumer Plaintiffs restate and reallege Paragraphs 1 through 130 as if fully set forth herein.

139. Upon accepting and storing the Customer Data of Plaintiffs and Class members in its computer systems and on its networks, Brinker undertook and owed a duty to Plaintiffs and Class members to exercise reasonable care to secure and safeguard that information and to use commercially reasonable methods to do so. Brinker knew that the Customer Data was private and confidential and should be protected as private and confidential.

140. Brinker owed a duty of care not to subject Plaintiffs and Class members, along with their Customer Data, to an unreasonable risk of harm because they were foreseeable and probable victims of any inadequate security practices.

141. Brinker owed numerous duties to Plaintiffs and to members of the Nationwide Class, including the following:

a. to exercise reasonable care in obtaining, retaining, securing, safeguarding, deleting and protecting Customer Data in its possession;

b. to protect Customer Data using reasonable and adequate security procedures and systems that are compliant with industry-standard practices; and

c. to implement processes to quickly detect a data breach and to timely act on warnings about data breaches.

142. Brinker also breached its duty to Plaintiffs and the Class members to adequately protect and safeguard Customer Data by knowingly disregarding standard information security principles, despite obvious risks, and by allowing unmonitored and unrestricted access to unsecured Customer Data. Furthering their dilatory practices, Brinker failed to provide adequate supervision and oversight of the Customer Data with which they were and are entrusted, in spite of the known risk and foreseeable likelihood of breach and misuse, which permitted an unknown third party to gather Customer Data of Plaintiffs and Class members, misuse the Customer Data and intentionally disclose it to others without consent.

143. Brinker knew, or should have known, of the risks inherent in collecting and storing Customer Data, the vulnerabilities of POS systems, and the importance of adequate security. Brinker knew about numerous, well-publicized data breaches within the restaurant industry.

144. Brinker knew, or should have known, that its data systems and networks did not adequately safeguard Plaintiffs' and Class members' Customer Data.

145. Brinker breached its duties to Plaintiffs and Class Members by failing to provide fair, reasonable, or adequate computer systems and data security practices to safeguard Customer Data of Plaintiffs and Class members.

146. Because Brinker knew that a breach of its systems would damage hundreds of thousands, if not millions, of Brinker customers, including Plaintiffs and Class members, Brinker had a duty to adequately protect its data systems and the Customer Data contained thereon.

147. Brinker had a special relationship with Plaintiffs and Class members. Plaintiffs' and Class members' willingness to entrust Brinker with their Customer Data was predicated on the understanding that Brinker would take adequate security precautions. Moreover, only Brinker had the ability to protect its systems and the Customer Data it stored on them from attack.

148. Brinker's own conduct also created a foreseeable risk of harm to Plaintiffs and Class members and their Customer Data. Brinker's misconduct included failing to: (1) secure its point-of-sale systems, despite knowing their vulnerabilities, (2) comply with industry standard security practices, (3) implement adequate system and event monitoring, and (4) implement the systems, policies, and procedures necessary to prevent this type of data breach.

149. Brinker also had independent duties under state and federal laws that required Brinker to reasonably safeguard Plaintiffs' and Class members' Customer Data and promptly notify them about the Data Breach.

150. Brinker breached its duties to Plaintiffs and Class members in numerous ways, including:

a. by failing to provide fair, reasonable, or adequate computer systems and data security practices to safeguard Customer Data of Plaintiffs and Class members;

b. by creating a foreseeable risk of harm through the misconduct previously described;

c. by failing to implement adequate security systems, protocols and practices sufficient to protect Plaintiffs' and Class members' Customer Data both before and after learning of the Data Breach;

d. by failing to comply with industry standard data security standards during the period of the Data Breach; and

e. by failing to timely and accurately disclose that Plaintiffs' and Class members' Customer Data had been improperly acquired or accessed.

151. Through Brinker's acts and omissions described in this Complaint, including Brinker's failure to provide adequate security and its failure to protect Customer Data of Plaintiffs and Class members from being foreseeably captured, accessed, disseminated, stolen and misused, Brinker unlawfully breached its duty to use reasonable care to adequately protect and secure Customer Data of Plaintiff and Class members during the time it was within Brinker's possession or control.

152. The law further imposes an affirmative duty on Brinker to timely disclose the unauthorized access and theft of the Customer Data to Plaintiffs and the Class so that Plaintiffs and Class members can take appropriate measures to mitigate damages, protect against adverse consequences, and thwart future misuse of their Customer Data.

153. Brinker breached its duty to notify Plaintiff and Class Members of the unauthorized access by waiting to notify Plaintiff and Class members and then by failing to provide Plaintiff and Class members sufficient information regarding the breach. To date,

Brinker has not provided sufficient information to Plaintiff and Class members regarding the extent of the unauthorized access and continues to breach its disclosure obligations to Plaintiff and the Class.

154. Through Brinker's acts and omissions described in this Complaint, including Brinker's failure to provide adequate security and its failure to protect Customer Data of Plaintiffs and Class members from being foreseeably captured, accessed, disseminated, stolen and misused, Brinker unlawfully breached its duty to use reasonable care to adequately protect and secure Customer Data of Plaintiffs and Class members during the time it was within Brinker's possession or control.

155. Further, through its failure to provide timely and clear notification of the Data Breach to consumers, Brinker prevented Plaintiffs and Class members from taking meaningful, proactive steps to secure their financial data and bank accounts.

156. Upon information and belief, Brinker improperly and inadequately safeguarded Customer Data of Plaintiffs and Class members in deviation of standard industry rules, regulations, and practices at the time of the unauthorized access. Brinker's failure to take proper security measures to protect sensitive Customer Data of Plaintiffs and Class members as described in this Complaint, created conditions conducive to a foreseeable, intentional criminal act, namely the unauthorized access of Customer Data of Plaintiffs and Class members.

157. Brinker's conduct was grossly negligent and departed from all reasonable standards of care, including, but not limited to: failing to adequately protect the Customer Data; failing to conduct regular security audits; failing to provide adequate and appropriate supervision of persons having access to Customer Data of Plaintiffs and Class members; and failing to

provide Plaintiff and Class members with timely and sufficient notice that their sensitive Customer Data had been compromised.

158. Neither Plaintiffs nor the other Class members contributed to the Data Breach and subsequent misuse of their Customer Data as described in this Complaint.

159. As a direct and proximate cause of Brinker's conduct, Plaintiffs and the Class suffered damages including, but not limited to: damages arising from the unauthorized charges on their debit or credit cards or on cards that were fraudulently obtained through the use of the Customer Data of Plaintiffs and Class members; damages arising from Plaintiffs' inability to use their debit or credit cards because those cards were cancelled, suspended, or otherwise rendered unusable as a result of the Data Breach and/or false or fraudulent charges stemming from the Data Breach, including but not limited to late fees charged and foregone cash back rewards; damages from lost time and effort to mitigate the actual and potential impact of the Data Breach on their lives including, inter alia, by placing "freezes" and "alerts" with credit reporting agencies, contacting their financial institutions, closing or modifying financial accounts, closely reviewing and monitoring their credit reports and accounts for unauthorized activity, and filing police reports and damages from identity theft, which may take months if not years to discover and detect, given the far-reaching, adverse and detrimental consequences of identity theft and loss of privacy. The nature of other forms of economic damage and injury may take years to detect, and the potential scope can only be assessed after a thorough investigation of the facts and events surrounding the theft mentioned above.

COUNT III
NEGLIGENCE PER SE
(ON BEHALF OF CONSUMER PLAINTIFFS AND THE NATIONWIDE CLASS, OR, ALTERNATIVELY, CONSUMER PLAINTIFFS AND THE SEPARATE STATEWIDE CLASSES)

160. Consumer Plaintiffs restate and reallege Paragraphs 1 through 130 as if fully set forth herein.

161. Section 5 of the FTC Act prohibits "unfair . . . practices in or affecting commerce," including, as interpreted and enforced by the FTC, the unfair act or practice by businesses, such as Brinker, of failing to use reasonable measures to protect Customer Data. The FTC publications and orders described above also form part of the basis of Brinker's duty in this regard.

162. Brinker violated Section 5 of the FTC Act by failing to use reasonable measures to protect Customer Data and not complying with applicable industry standards, as described in detail herein. Brinker's conduct was particularly unreasonable given the nature and amount of Customer Data it obtained and stored, and the foreseeable consequences of a data breach at a restaurant chain as large as Chili's, including, specifically, the immense damages that would result to Plaintiffs and Class members.

163. Brinker's violation of Section 5 of the FTC Act constitutes negligence *per se*.

164. Plaintiffs and Class members are within the class of persons that the FTC Act was intended to protect.

165. The harm that occurred as a result of the Data Breach is the type of harm the FTC Act was intended to guard against. The FTC has pursued enforcement actions against businesses, which, as a result of their failure to employ reasonable data security measures and avoid unfair and deceptive practices, caused the same harm as that suffered by Plaintiffs and the Class.

166. As a direct and proximate result of Brinker's negligence *per se*, Plaintiffs and the Class have suffered, and continue to suffer, injuries damages arising from Plaintiffs' inability to use their debit or credit cards because those cards were cancelled, suspended, or otherwise rendered unusable as a result of the Data Breach and/or false or fraudulent charges stemming from the Data Breach, including but not limited to late fees charged and foregone cash back rewards; damages from lost time and effort to mitigate the actual and potential impact of the Data Breach on their lives including, inter alia, by placing "freezes" and "alerts" with credit reporting agencies, contacting their financial institutions, closing or modifying financial accounts, closely reviewing and monitoring their credit reports and accounts for unauthorized activity, and filing police reports and damages from identity theft, which may take months if not years to discover and detect, given the far-reaching, adverse and detrimental consequences of identity theft and loss of privacy.

COUNT IV
UNJUST ENRICHMENT
(ON BEHALF OF CONSUMER PLAINTIFFS AND THE NATIONWIDE CLASS, OR, ALTERNATIVELY, CONSUMER PLAINTIFFS AND THE SEPARATE STATEWIDE CLASSES)

167. Consumer Plaintiffs restate and reallege Paragraphs 1 through 130 as if fully set forth here.

168. Plaintiffs and Class members conferred a monetary benefit on Brinker. Specifically, they purchased goods and services from Brinker and provided Brinker with their payment information. In exchange, Plaintiffs and Class members should have received from Brinker the goods and services that were the subject of the transaction and should have been entitled to have Brinker protect their Customer Data with adequate data security.

169. Brinker knew that Plaintiffs and Class members conferred a benefit on Brinker and accepted and has accepted or retained that benefit. Brinker profited from the purchases and used the Customer Data of Plaintiffs and Class members for business purposes.

170. Brinker failed to secure the Customer Data of Plaintiffs and Class members and, therefore, did not provide full compensation for the benefit Plaintiffs and Class members provided.

171. Brinker acquired the Customer Data through inequitable means in that it failed to disclose the inadequate security practices previously alleged.

172. If Plaintiffs and Class members knew that Brinker would not secure their Customer Data using adequate security, they would not have made purchases at Chili's restaurants.

173. Plaintiffs and Class members have no adequate remedy at law.

174. Under the circumstances, it would be unjust for Brinker to be permitted to retain any of the benefits that Plaintiffs and Class members conferred on it.

175. Brinker should be compelled to disgorge into a common fund or constructive trust, for the benefit of Plaintiffs and Class members, proceeds that it unjustly received from them. In the alternative, Brinker should be compelled to refund the amounts that Plaintiffs and Class members overpaid.

COUNT V
DECLARATORY JUDGMENT
(ON BEHALF OF CONSUMER PLAINTIFFS AND THE NATIONWIDE CLASS, OR, ALTERNATIVELY, CONSUMER PLAINTIFFS AND THE SEPARATE STATEWIDE CLASSES)

176. Plaintiffs restate and reallege Paragraphs 1 through 130 as if fully set forth here.

177. As previously alleged, Plaintiffs and Class members entered into an implied contract that required Brinker to provide adequate security for the Customer Data it collected from their payment card transactions. As previously alleged, Brinker owes duties of care to Plaintiffs and Class members that require it to adequately secure Customer Data.

178. Brinker still possesses Customer Data pertaining to Plaintiffs and Class members.

179. Brinker has made no announcement or notification that it has remedied the vulnerabilities in its computer data systems, and, most importantly, its POS systems.

180. Accordingly, Brinker has not satisfied its contractual obligations and legal duties to Plaintiffs and Class members. In fact, now that Brinker's lax approach towards data security has become public, the Customer Data in its possession is more vulnerable than previously.

181. Actual harm has arisen in the wake of the Data Breach regarding Brinker's contractual obligations and duties of care to provide data security measures to Plaintiffs and Class members.

182. Plaintiffs, therefore, seek a declaration that (a) Brinker's existing data security measures do not comply with its contractual obligations and duties of care, and (b) in order to comply with its contractual obligations and duties of care, Brinker must implement and maintain reasonable security measures, including, but not limited to:

a. engaging third-party security auditors/penetration testers as well as internal security personnel to conduct testing, including simulated attacks, penetration tests, and audits on Brinker's systems on a periodic basis, and ordering Brinker to promptly correct any problems or issues detected by such third-party security auditors;

b. engaging third-party security auditors and internal personnel to run automated security monitoring;

c. auditing, testing, and training its security personnel regarding any new or modified procedures;

d. segmenting customer data by, among other things, creating firewalls and access controls so that if one area of Brinker is compromised, hackers cannot gain access to other portions of Brinker systems;

e. purging, deleting, and destroying in a reasonable secure manner Customer Data not necessary for its provisions of services;

f. conducting regular database scanning and securing checks;

g. routinely and continually conducting internal training and education to inform internal security personnel how to identify and contain a breach when it occurs and what to do in response to a breach; and

h. educating its customers about the threats they face as a result of the loss of their financial and personal information to third parties, as well as the steps Brinker customers must take to protect themselves.

COUNT VI
VIOLATIONS OF THE OF THE FLORIDA UNFAIR AND DECEPTIVE TRADE PRACTICES ACT, FLA. STAT. §§ 501.201, *et seq.*
(ON BEHALF OF THE FLORIDA STATEWIDE CLASS)

183. Plaintiff Green-Cooper ("Florida Consumer Plaintiff"), individually and on behalf of the other Florida Statewide Class members, restates and realleges Paragraphs 1 through 130 as if fully set forth here.

184. Florida Consumer Plaintiff and Florida Statewide Class members are consumers who used their credit or debit cards to purchase food and drink products and services at Chili's restaurants. These purchases were made primarily for personal, family, or household purposes.

185. Brinker engaged in the conduct alleged in this Complaint entering into transactions intended to result, and which did result, in the sale of food and drink products to consumers, including Florida Consumer Plaintiff and Florida Statewide Class members.

186. Brinker engaged in, and its acts and omissions affect, trade and commerce. Brinker's acts, practices, and omissions were done in the course of Brinker's business of marketing, offering to sell, and selling food and drink products and services throughout the United States.

187. Brinker, operating in Florida, engaged in deceptive, unfair, and unlawful trade acts or practices in the conduct of trade or commerce, in violation of Fla. Stat. § 501.204(1), including but not limited to the following:

a. failure to maintain adequate computer systems and data security practices to safeguard Customer Data;

b. failure to disclose that its computer systems and data security practices were inadequate to safeguard Customer Data from theft;

c. failure to timely and accurately disclose the Data Breach to Florida Consumer Plaintiff and Florida Statewide Class members;

d. continued acceptance of credit and debit card payments and storage of other personal information after Brinker knew or should have known of the security vulnerabilities of the POS systems that were exploited in the Data Breach; and

e. continued acceptance of credit and debit card payments and storage of other personal information after Brinker knew or should have known of the Data Breach and before it allegedly remediated the Breach.

188. These unfair acts and practices violated duties imposed by laws including by not limited to the FTCA and Fla. Stat. § 501.171(2).

189. As a direct and proximate result of Brinker's violation of the Florida Unfair and Deceptive Trade Practices Act, Florida Consumer Plaintiff and Florida Statewide Class members suffered damages including, but not limited to: damages arising from the unauthorized charges on their debit or credit cards or on cards that were fraudulently obtained through the use of the Customer Data of Florida Consumer Plaintiffs and Florida Statewide Class members; damages arising from Florida Consumer Plaintiffs' inability to use their debit or credit cards because those cards were cancelled, suspended, or otherwise rendered unusable as a result of the Data Breach and/or false or fraudulent charges stemming from the Data Breach, including but not limited to late fees charged and foregone cash back rewards; damages from lost time and effort to mitigate the actual and potential impact of the Data Breach on their lives including, *inter alia*, by placing

"freezes" and "alerts" with credit reporting agencies, contacting their financial institutions, closing or modifying financial accounts, closely reviewing and monitoring their credit reports and accounts for unauthorized activity, and filing police reports and damages from identity theft, which may take months if not years to discover and detect, given the far-reaching, adverse and detrimental consequences of identity theft and loss of privacy. The nature of other forms of economic damage and injury may take years to detect, and the potential scope can only be assessed after a thorough investigation of the facts and events surrounding the theft mentioned above.

190. Also as a direct result of Brinker's knowing violation of the Florida Unfair and Deceptive Trade Practices Act, Florida Consumer Plaintiff and Florida Statewide Class members are entitled to damages as well as injunctive relief, including, but not limited to:

A. Ordering that Brinker engage third-party security auditors/penetration testers as well as internal security personnel to conduct testing, including simulated attacks, penetration tests, and audits on Brinker's systems on a periodic basis, and ordering Brinker to promptly correct any problems or issues detected by such third-party security auditors;

B. Ordering that Brinker engage third-party security auditors and internal personnel to run automated security monitoring;

C. Ordering that Brinker audit, test, and train its security personnel regarding any new or modified procedures;

D. Ordering that Brinker segment customer data by, among other things, creating firewalls and access controls so that if one area of Brinker is compromised, hackers cannot gain access to other portions of Brinker systems;

E. Ordering that Brinker purge, delete, and destroy in a reasonable secure manner Customer Data not necessary for its provisions of services;

F. Ordering that Brinker conduct regular database scanning and securing checks;

G. Ordering that Brinker routinely and continually conduct internal training and education to inform internal security personnel how to identify and contain a breach when it occurs and what to do in response to a breach; and

H. Ordering Brinker to meaningfully educate its customers about the threats they face as a result of the loss of their financial and personal information to third parties, as well as the steps Brinker customers must take to protect themselves.

191. Florida Consumer Plaintiff brings this action on behalf of herself and Florida Statewide Class Members for the relief requested above and for the public benefit in order to promote the public interests in the provision of truthful, fair information to allow consumers to make informed purchasing decisions and to protect Florida Consumer Plaintiff and Florida Statewide Class members and the public from Brinker's unfair methods of competition and unfair, deceptive, fraudulent, unconscionable and unlawful practices. Brinker's wrongful conduct as alleged in this Complaint has had widespread impact on the public at large.

192. The above unfair and deceptive practices and acts by Brinker were immoral, unethical, oppressive, and unscrupulous. These acts caused substantial injury to Florida Consumer

Plaintiff and Florida Statewide Class members that they could not reasonably avoid; this substantial injury outweighed any benefits to consumers or to competition.

193. Brinker knew or should have known that its computer systems and data security practices were inadequate to safeguard Florida Statewide Class Members' Personal Information and that the risk of a data breach or theft was high.

194. Brinker's actions and inactions in engaging in the unfair practices and deceptive acts described herein were negligent, knowing and willful, and/or wanton and reckless.

195. Florida Consumer Plaintiff and Florida Statewide Class Members seek relief under Florida Deceptive and Unfair Trade Practices Act, Fla. Stat. §§ 501.201, *et seq*, including, but not limited to, damages, restitution, injunctive relief, and/or attorneys' fees and costs, and any other just and proper relief.

COUNT VII
TEXAS DECEPTIVE TRADE PRACTICES—CONSUMER PROTECTION ACT, Texas Bus. & Com. Code §§ 17.41, et seq.
(ON BEHALF OF THE TEXAS SUBCLASS)

196. Plaintiff Thomas ("Texas Consumer Plaintiff"), individually and on behalf of the other Texas Subclass members, restates and realleges Paragraphs 1 through 130 as if fully set forth here.

197. Brinker is a "person," as defined by Tex. Bus. & Com. Code § 17.45(3).

198. Texas Consumer Plaintiff and the Texas Subclass members are "consumers," as defined by Tex. Bus. & Com. Code § 17.45(4).

199. Brinker advertised, offered, or sold goods or services in Texas and engaged in trade or commerce directly or indirectly affecting the people of Texas, as defined by Tex. Bus. & Com. Code § 17.45(6).

200. Brinker engaged in false, misleading, or deceptive acts and practices, in violation of Tex. Bus. & Com. Code § 17.46(b), including:

a. Representing that goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits or quantities that they do not have;

b. Representing that goods or services are of a particular standard, quality or grade, if they are of another;

c. Advertising goods or services with intent not to sell them as advertised.

201. Brinker's false, misleading, and deceptive acts and practices include:

a. Failing to implement and maintain reasonable security and privacy measures to protect Texas Consumer Plaintiff and Texas Subclass members' Personal Information, which was a direct and proximate cause of the Brinker data breach;

b. Failing to identify foreseeable security and privacy risks, remediate identified security and privacy risks, and adequately improve security and privacy measures, which was a direct and proximate cause of the Data Breach;

c. Failing to comply with common law and statutory duties pertaining to the security and privacy of Texas Consumer Plaintiff and Texas Subclass members' Customer Data, including duties imposed by the FTC Act, 15 U.S.C. § 45, and Texas's data security statute, Tex. Bus. & Com. Code § 521.052, which was a direct and proximate cause of the Data Breach;

d. Misrepresenting that it would protect the privacy and confidentiality of Texas Consumer Plaintiff and Texas Subclass members' Customer Data, including by implementing and maintaining reasonable security measures;

e. Misrepresenting that it would comply with common law and statutory duties pertaining to the security and privacy of Texas Consumer Plaintiff and Texas Subclass members' Customer Data, including duties imposed by the FTC Act, 15 U.S.C. § 45 and Texas's data security statute, Tex. Bus. & Com. Code § 521.052;

f. Omitting, suppressing, and concealing the material fact that it did not reasonably or adequately secure Texas Consumer Plaintiff's and Texas Subclass members' Customer Data; and

g. Omitting, suppressing, and concealing the material fact that it did not comply with common law and statutory duties pertaining to the security and privacy of Texas Consumer Plaintiff's and Texas Subclass members' Customer, including duties imposed by the FTC Act, 15 U.S.C. § 45 and Texas's data security statute, Tex. Bus. & Com. Code § 521.052.

202. Brinker intended to mislead Texas Consumer Plaintiff and Texas Subclass members and induce them to rely on its misrepresentations and omissions.

203. Brinker's representations and omissions were material because they were likely to deceive reasonable consumers about the adequacy of Brinker's data security and ability to protect the confidentiality of consumers' Customer Data.

204. Had Brinker disclosed to Texas Consumer Plaintiff and Texas Subclass Class members that its data systems were not secure and, thus, vulnerable to attack, Brinker would have been unable to continue in business and it would have been forced to adopt reasonable data security measures and comply with the law. Instead, Brinker held itself out as secure and Brinker was trusted with sensitive and valuable Customer Data regarding millions of consumers, including Texas Consumer Plaintiff and the Texas Subclass. Brinker accepted the responsibility of being a "steward of data" while keeping the inadequate state of its security controls secret from the public. Accordingly, because Brinker held itself out as secure with a corresponding duty of trustworthiness and care, Texas Consumer Plaintiff and the Texas Subclass members acted reasonably in relying on Brinker's misrepresentations and omissions, the truth of which they could not have discovered.

205. Brinker had a duty to disclose the above facts due to the circumstances of this case, the sensitivity and breadth of the Customer Data in its possession, and the generally accepted industry standards. This duty arose because members of the public, including Texas Consumer Plaintiff and the Texas Subclass, repose a trust and confidence in Brinker. In addition, such a duty is implied by law due to the nature of the relationship between consumers, including Texas Consumer Plaintiff and the Texas Subclass, and Brinker because consumers are unable to fully protect their interests with regard to their data, and placed trust and confidence in Brinker. Brinker's duty to disclose also arose from its:

a. Possession of exclusive knowledge regarding the security of the data in its systems;

b. Active concealment of the state of its security; and/or

c. Incomplete representations about the security and integrity of its computer and data systems, while purposefully withholding material facts from Texas Consumer Plaintiff and the Texas Subclass that contradicted these representations.

206. Brinker engaged in unconscionable actions or courses of conduct, in violation of Tex. Bus. & Com. Code Ann. § 17.50(a)(3). Brinker engaged in acts or practices which, to consumers' detriment, took advantage of consumers' lack of knowledge, ability, experience, or capacity to a grossly unfair degree.

207. Consumers, including Texas Consumer Plaintiff and Texas Subclass members, lacked knowledge about deficiencies in Brinker's data security because this information was known exclusively by Brinker. Consumers also lacked the ability, experience, or capacity to secure the Customer Data in Brinker's possession or to fully protect their interests with regard to their data. Plaintiffs and Texas Subclass members lack expertise in information security matters and do not have access to Brinker's systems in order to evaluate its security controls. Brinker took advantage of its special skill and access to the Customer Data to hide its inability to protect the security and confidentiality of Texas Consumer Plaintiff's and Texas Subclass members' Customer Data.

208. Brinker intended to take advantage of consumers' lack of knowledge, ability, experience, or capacity to a grossly unfair degree, with reckless disregard of the unfairness that would result. The unfairness resulting from Brinker's conduct is glaringly noticeable, flagrant, complete, and unmitigated. The Data Breach, which resulted from Brinker's unconscionable business acts and practices, exposed Texas Consumer Plaintiff and Texas Subclass members to a

wholly unwarranted risk to the safety of their Customer Data and the security of their identity or credit, and worked a substantial hardship on a significant and unprecedented number of consumers. Texas Consumer Plaintiff and Texas Subclass members cannot mitigate this unfairness because they cannot undo the Data Breach.

209. Brinker acted intentionally, knowingly, and maliciously to violate Texas's Deceptive Trade Practices-Consumer Protection Act, and recklessly disregarded Texas Consumer Plaintiff's and Texas Subclass members' rights.

210. As a direct and proximate result of Brinker's unconscionable and deceptive acts or practices, Texas Consumer Plaintiff and Texas Subclass members have suffered and will continue to suffer injury, ascertainable losses of money or property, and monetary and non-monetary damages, including from fraud and identity theft; time and expenses related to monitoring their financial accounts for fraudulent activity; an increased, imminent risk of fraud and identity theft; and loss of value of their Customer Data. Brinker's unconscionable and deceptive acts or practices were a producing cause of Texas Consumer Plaintiff's and Texas Subclass members' injuries, ascertainable losses, economic damages, and non-economic damages, including their mental anguish.

211. Brinker's violations present a continuing risk to Texas Consumer Plaintiff and Texas Subclass members as well as to the general public.

212. Texas Consumer Plaintiff and the Texas Subclass seek all monetary and non-monetary relief allowed by law, including economic damages; damages for mental anguish; treble damages for each act committed intentionally or knowingly; court costs; reasonably and necessary attorneys' fees; injunctive relief; and any other relief which the court deems proper.

COUNT VIII
VIRGINIA CUSTOMER DATA BREACH NOTIFICATION ACT,
Va. Code. Ann. §§ 18.2-186.6, et seq.
(ON BEHALF OF THE VIRGINIA SUBCLASS)

213. Plaintiff Sanders ("Virginia Consumer Plaintiff"), individually and on behalf of the other Virginia Subclass members, restates and realleges Paragraphs 1 through 130 as if fully set forth here.

214. Brinker is required to accurately notify Plaintiff and Virginia Subclass members following discovery or notification of a breach of its data security system if unencrypted or unredacted Customer Data was or is reasonably believed to have been accessed and acquired by an unauthorized person who will, or it is reasonably believed who will, engage in identify theft or another fraud, without unreasonable delay under Va. Code Ann. § 18.2-186.6(B).

215. Brinker is an entity that owns or licenses computerized data that includes Customer Data as defined by Va. Code Ann. § 18.2-186.6(B).

216. Virginia Consumer Plaintiff's and Virginia Subclass members' Customer Data includes "Personal Information" as covered under Va. Code Ann. § 18.2-186.6(A).

217. Because Brinker discovered a breach of its security system in which unencrypted or unredacted Personal Information was or is reasonably believed to have been accessed and acquired by an unauthorized person, who will, or it is reasonably believed who will, engage in identify theft or another fraud, Brinker had an obligation to disclose the data breach in a timely and accurate fashion as mandated by Va. Code Ann. § 18.2-186.6(B).

218. By failing to disclose the Brinker data breach in a timely and accurate manner, Brinker violated Va. Code Ann. § 18.2-186.6(B).

219. As a direct and proximate result of Brinker's violations of Va. Code Ann. § 18.2-186.6(B), Virginia Consumer Plaintiff and Virginia Subclass members suffered damages, as described above.

220. Virginia Consumer Plaintiff and Virginia Subclass members seek relief under Va. Code Ann. § 18.2-186.6(I), including actual damages.

COUNT IX
VIRGINIA CONSUMER PROTECTION ACT,
Va. Code Ann. §§ 59.1-196, et seq.
(ON BEHALF OF THE VIRGINIA SUBCLASS)

221. Plaintiff Sanders ("Virginia Consumer Plaintiff"), individually and on behalf of the other Virginia Subclass members, restates and realleges Paragraphs 1 through 130 as if fully set forth here.

222. The Virginia Consumer Protection Act prohibits "[u]sing any . . . deception, fraud, false pretense, false promise, or misrepresentation in connection with a consumer transaction." Va. Code Ann. § 59.1-200(14).

223. Brinker is a "person" as defined by Va. Code Ann. § 59.1-198.

224. Brinker is a "supplier," as defined by Va. Code Ann. § 59.1-198.

225. Brinker engaged in the complained-of conduct in connection with "consumer transactions" with regard to "goods" and "services," as defined by Va. Code Ann. § 59.1-198. Brinker advertised, offered, or sold goods or services used primarily for personal, family or household purposes.

226. Brinker engaged in deceptive acts and practices by using deception, fraud, false pretense, false promise, and misrepresentation in connection with consumer transactions, including:

a. Failing to implement and maintain reasonable security and privacy measures to protect Virginia Consumer Plaintiff's and Virginia Subclass members' Customer Data, which was a direct and proximate cause of the Brinker data breach;

b. Failing to identify foreseeable security and privacy risks, remediate identified security and privacy risks, and adequately improve security and privacy measures, which was a direct and proximate cause of the Brinker data breach;

c. Failing to comply with common law and statutory duties pertaining to the security and privacy of Virginia Consumer Plaintiff's and Virginia Subclass members' Customer Data, including duties imposed by the FTC Act, 15 U.S.C. § 45, which was a direct and proximate cause of the Brinker data breach;

d. Misrepresenting that it would protect the privacy and confidentiality of Virginia Consumer Plaintiff's and Virginia Subclass members' Customer Data, including by implementing and maintaining reasonable security measures;

e. Misrepresenting that it would comply with common law and statutory duties pertaining to the security and privacy of Virginia Consumer Plaintiff's and Virginia Subclass members' Customer Data, including duties imposed by the FTC Act, 15 U.S.C. § 45;

f. Omitting, suppressing, and concealing the material fact that it did not reasonably or adequately secure Virginia Consumer Plaintiff's and Virginia Subclass members' Customer Data; and

g. Omitting, suppressing, and concealing the material fact that it did not comply with common law and statutory duties pertaining to the security and privacy of Virginia Consumer Plaintiff's and Virginia Subclass members' Customer Data, including duties imposed by the FTC Act, 15 U.S.C. § 45.

227. Brinker intended to mislead Virginia Consumer Plaintiff and Virginia Subclass members and induce them to rely on its misrepresentations and omissions.

228. Brinker's representations and omissions were material because they were likely to deceive reasonable consumers, including Virginia Consumer Plaintiff and Virginia Subclass members, about the adequacy of Brinker's computer and data security and the quality of the Brinker brand.

229. Had Brinker disclosed to Virginia Consumer Plaintiff and Virginia Subclass members that its data systems were not secure and, thus, vulnerable to attack, Brinker would have been unable to continue in business and it would have been forced to adopt reasonable data security measures and comply with the law. Instead, Brinker held itself out as secure and Brinker was trusted with sensitive and valuable Customer Data regarding millions of consumers, including Virginia Consumer Plaintiff and the Virginia Subclass. Virginia Consumer Plaintiff and the Virginia Subclass members acted reasonably in relying on Brinker's misrepresentations and omissions, the truth of which they could not have discovered.

230. Brinker had a duty to disclose these facts due to the circumstances of this case, the sensitivity and breadth of the Customer Data in its possession, and the generally accepted industry standards. In addition, such a duty is implied by law due to the nature of the relationship between consumers—including Virginia Consumer Plaintiff and the Virginia Subclass—and Brinker, because consumers are unable to fully protect their interests with regard to their Customer Data, and placed trust and confidence in Brinker. Brinker's duty to disclose also arose from its:

a. Possession of exclusive knowledge regarding the security of the Customer Data in its systems;

b. Active concealment of the state of its security; and/or

c. Incomplete representations about the security and integrity of its computer and data systems, while purposefully withholding material facts from Virginia Consumer Plaintiff and the Virginia Subclass that contradicted these representations.

231. The above-described deceptive acts and practices also violated the following provisions of VA Code § 59.1-200(A):

a. Misrepresenting that goods or services have certain quantities, characteristics, ingredients, uses, or benefits;

b. Misrepresenting that goods or services are of a particular standard, quality, grade, style, or model; and

c. Advertising goods or services with intent not to sell them as advertised, or with intent not to sell them upon the terms advertised.

232. Brinker acted intentionally, knowingly, and maliciously to violate Virginia's Consumer Protection Act, and recklessly disregarded Virginia Consumer Plaintiff's and Virginia Subclass members' rights.

233. As a direct and proximate result of Brinker's deceptive acts or practices, Virginia Consumer Plaintiff and Virginia Subclass members have suffered and will continue to suffer injury, ascertainable losses of money or property, and monetary and non-monetary damages, including from fraud and identity theft; time and expenses related to monitoring their financial accounts for fraudulent activity; an increased, imminent risk of fraud and identity theft; and loss of value of their Customer Data.

234. Brinker's violations present a continuing risk to Virginia Consumer Plaintiff and Virginia Subclass members as well as to the general public.

235. Virginia Consumer Plaintiff and Virginia Subclass members seek all monetary and non-monetary relief allowed by law, including actual damages; statutory damages in the amount of $1,000 per violation if the conduct is found to be willful or, in the alternative, $500 per violation; restitution, injunctive relief; and attorneys' fees and costs.

REQUEST FOR RELIEF

WHEREFORE, Plaintiffs, individually and on behalf of all Class members proposed in this Complaint, respectfully request that the Court enter judgment in their favor and against Brinker as follows:

a. For an Order certifying the Classes, as defined herein, and appointing Plaintiffs and their Counsel to represent the Nationwide Class, or in the alternative the separate Statewide Classes;

b. For equitable relief enjoining Brinker from engaging in the wrongful conduct complained of herein pertaining to the misuse and/or disclosure of Plaintiffs' and Class members' Customer Data, and from refusing to issue prompt, complete and accurate disclosures to the Plaintiffs and Class members;

c. For equitable relief compelling Brinker to use appropriate cyber security methods and policies with respect to consumer data collection, storage and protection and to disclose with specificity to Class members the type of Customer Data compromised;

d. For an award of damages, including nominal damages, as allowed by law in an amount to be determined;

e. For an award of attorneys' fees costs and litigation expenses, as allowable by law;

f. For prejudgment interest on all amounts awarded; and

Such other and further relief as this court may deem just and proper.

JURY TRIAL DEMAND

Plaintiff demands a jury trial on all issues so triable.

This Thursday, May 24, 2018.

/s/ John A. Yanchunis
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**Pro Hac Vice to be submitted*

CERTIFICATE OF SERVICE

I hereby certify that on May 24, 2018May 24, 2018 May 24, 2018, I caused **PLAINTIFFS' CLASS ACTION COMPLAINT**, to be served via the Court's CM/ECF system, which will automatically send notice of such filing to all attorneys of record.

This the 24th day of May, 2018.

Respectfully submitted,

s/ John A. Yanchunis
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Exhibit 1

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

FORM 10-K

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

For the fiscal year ended June 28, 2017 **Commission File No. 1-10275**

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

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

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

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

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

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

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

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

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

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 ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer,a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," " smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer ☐
Non-accelerated filer	☐	Smaller reporting company ☐
(Do not check if a smaller reporting company)		Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. $2,411,056,503.

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

Class	Outstanding at August 14, 2017
Common Stock, $0.10 par value	48,454,974 shares

INTRODUCTION

Documents Incorporated by Reference

We have incorporated portions of our Annual Report to Shareholders for the fiscal year ended June 28, 2017 into Part II hereof, to the extent indicated herein. We have also incorporated by reference portions of our Proxy Statement for our annual meeting of shareholders on November 16, 2017, to be dated on or about September 27, 2017, into Part III hereof, to the extent indicated herein.

Forward-Looking Statements

Information and statements contained in this Form 10-K, in our other filings with the SEC or in our written and verbal communications that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are generally accompanied by words like "believes," "anticipates," "estimates," "predicts," "expects," and other similar expressions that convey uncertainty about future events or outcomes. Forward-looking statements are based on our current plans and expectations and involve risks and uncertainties that could cause actual results to differ materially from our historical results or from those projected in forward-looking statements. These risks and uncertainties are, in many instances, beyond our control. We wish to caution you against placing undue reliance on forward-looking statements because of these risks and uncertainties. Except as required by law, we expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. The forward-looking statements contained in this report are subject to the risks and uncertainties described in Item 1A below under the heading "Risk Factors", as well as the risks and uncertainties that generally apply to all businesses. We further caution that it is not possible to identify all risk and uncertainties, and you should not consider the identified factors as a complete list of all risks and uncertainties.

PART I

Item 1 BUSINESS.

General

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

We own, develop, operate and franchise the Chili's® Grill & Bar ("Chili's") and Maggiano's Little Italy® ("Maggiano's") restaurant brands. The Company was organized under the laws of the State of Delaware in September 1983 to succeed to the business operated by Chili's, Inc., a Texas corporation, which was organized in August 1977. We completed the acquisition of Maggiano's in August 1995.

Restaurant Brands

Chili's Grill & Bar

Chili's, a recognized leader in the Bar & Grill category of casual dining, has been operating restaurants for over 40 years. Chili's enjoys a global presence with locations in 31 countries and two U.S. territories. Whether domestic or international, company-owned or franchised, Chili's and its more than 100,000 team members are dedicated to delivering fresh, high-quality food with a unique point of view, as well as dining experiences that make people feel special. Historically, Chili's menu has featured bold, kicked-up American favorites, and in recent years we have expanded our menu to include more Fresh Mex and Fresh Tex offerings. However, casual dining traffic has softened, and we believe the next generation of American consumers demand more quality and focused expertise in their restaurant offerings. We are reinvesting in the core menu platforms that first established Chili's reputation more than 40 years ago. These include burgers, ribs and fajitas, as well as our famous margaritas. We are reinvesting in each of these platforms for a new generation of guests. We believe our focused menu will allow Chili's to differentiate our food from other restaurants.

We also believe that guests are evolving not only their standards of quality but also their expectations of convenience. Chili's to-go menu is available on-line, by calling the restaurant, or through our new mobile app, and in the spring of 2017, we began offering "call ahead carryout" through an app in all our company-owned restaurants. In recent years, we also pioneered the use of tabletop devices inside the restaurants, which allow guests to order and re-order menu items, enjoy entertainment and assert more control over their dining experience by paying through the tabletop device when they choose.

During the fiscal year ended June 28, 2017, at our company-owned restaurants, entrée selections ranged in menu price from $6.00 to $18.99. The average revenue per meal, including alcoholic beverages, was approximately $15.26 per person. During this same year, food and non-alcoholic beverage sales constituted approximately 85.9% of Chili's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 14.1%. Our average annual sales volume per company-owned Chili's restaurant during this same year was $2.9 million.

Maggiano's Little Italy

Maggiano's is a full-service, national, casual dining Italian restaurant brand with a passion for making people feel special. The exterior of each Maggiano's restaurant varies to reflect local architecture; however, the interior of all locations transport our guests back to a classic Italian-American restaurant in the style of New York's Little Italy in the 1940s. Our Maggiano's restaurants feature individual and family-style menus, and most of our restaurants also have extensive banquet facilities designed to host large party business or social events. We have a full lunch and dinner menu offering chef-prepared, classic Italian-American fare in the form of appetizers and entrées with bountiful portions of pasta, chicken, seafood, veal, prime steaks and desserts. In February 2017, we also began offering weekend brunch. Our Maggiano's restaurants also offer a full range of alcoholic beverages, including a selection of handcrafted classic cocktails and premium wines. In addition, Maggiano's offers a full carryout menu as well as local delivery services.

During the fiscal year ended June 28, 2017, entrée selections ranged in menu price from $13.95 to $47.95. The average revenue per meal, including alcoholic beverages, was approximately $27.89 per person. During this same year, food and non-alcoholic beverage sales constituted approximately 84.4% of Maggiano's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 15.6%. Sales from events at our banquet facilities made up 18.1% of Maggiano's total restaurant revenues for the year. Our average annual sales volume per Maggiano's restaurant during this same year was $8.3 million.

Business Strategy

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

Growing sales and traffic continues to be a challenge with increasing competition and heavy discounting in the casual dining industry. Lower oil prices have continued to negatively impact sales in our markets with oil dependent economies. We also believe that casual dining traffic was negatively impacted by lower retail traffic in general, including during the December, 2016 holiday season. U.S. economic growth has been steady in recent years, but wage growth has been slow comparative to the post-recession economic recovery. This wage pressure and increased costs for healthcare has challenged both casual dining restaurant operators and consumers as discretionary income available for restaurant visits has been limited. More consumers are opting to eat at home as the decline in grocery costs relative to casual dining prices allows consumers to save money. Consumers are also taking advantage of discounted fast food options which has placed additional pressure on the casual dining sector. Overall, the industry was softer than we anticipated this year. In response to these economic factors and industry pressures, we have developed both short and long-term strategies that we believe are appropriate for all operating conditions and will provide a solid foundation for future earnings growth. During the third quarter of fiscal year 2017, we completed a reorganization of the Chili's restaurant operations team and certain departments at the corporate headquarters to better align staffing with our current strategies. This reorganization resulted in pre-tax savings of over $5 million in fiscal year 2017. We anticipate pre-tax savings of approximately $12 million on an annualized basis.

We regularly evaluate our processes and menu at Chili's to identify opportunities where we can improve our service quality and food. We made a commitment to simplify our menu and back of house complexity by reducing the number of menu items. We believe this initiative will improve kitchen efficiency and result in meals being delivered hotter and faster to our guests. During fiscal year 2017, we upgraded the quality of our chicken crispers to an all-natural chicken and added new flavors such as buffalo bleu cheese crispers and honey chipotle chicken and waffles. We also implemented a new "smash" burger cooking procedure across our burger platform that produces a juicier product and cuts the cooking time nearly in half. We believe that guests are responding favorably to the new products. We were also pleased with the guest preference results from the smokehouse platform added to the menu in fiscal year 2017, which features jalapeño cheese sausage, bone-in chicken and our signature baby-back ribs. Additionally, we launched our new line of craft beers in fiscal year 2017 featuring regional and national favorites and our Presidente Margarita on tap.

We remain competitive with our value offerings at both lunch and dinner and are committed to offering consistent, quality products at a compelling every day value. We offered a promotional "3 for Me™" platform in January 2017 that allowed guests to combine a salad and mini molten dessert with their choice of fajitas, burgers, smoked chicken or ribs for just $10.00. We will continue to seek opportunities to reinforce value and create interest for the Chili's brand with new and varied offerings to further enhance sales and drive incremental traffic.

The Chili's brand has leveraged technology initiatives to create a digital guest experience that we believe will help us engage our guests more effectively. We have launched a new online ordering system that expands our current capabilities and gives our guests greater control of their to-go experience. Our upgraded Chili's mobile app provides the capability for digital curbside service where guests can order, pay and notify us of their arrival all through the app. We have leveraged our tabletop technology to power our loyalty programs and anticipate that guest loyalty programs will be a significant part of our marketing strategy going forward. We believe guest loyalty programs allow us to drive sales by creating more relevant and customized incentives for our guests.

We believe that improvements at Chili's will have the most significant impact on the business; however, our results will also benefit through additional contributions from Maggiano's and our global business. Maggiano's opened two restaurants in fiscal year 2017 based on our new prototype, which includes a flexible dining area that may be used for banquets or opened up for general seating. This new prototype allows the brand to enter new markets for which the prior model was not suited, but still accommodate smaller banquets. We introduced a new menu at Maggiano's in the third quarter of fiscal year 2017 that includes the addition of Saturday and Sunday brunch, and we believe guests are responding favorably to the new menu and brunch offering. Maggiano's is committed to delivering high quality food and a dining experience in line with this brand's heritage.

Our global Chili's business continues to grow with locations in 30 countries and two territories outside of the United States. Our international franchisees opened 30 new restaurants in fiscal year 2017.

Company Development

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

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

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

The following table illustrates the system-wide restaurants opened in fiscal year 2017 and the projected openings in fiscal 2018:

	Fiscal 2017 Openings	Fiscal 2018 Projected Openings
Chili's domestic:		
Company-owned	7	5-6
Franchise	6	6-8
Maggiano's:		
Company-owned	2	1
Chili's international:		
Company-owned	1	0
Franchise	30	38-43
Total	46	50-58

We periodically re-evaluate company-owned restaurant sites to ensure attributes have not deteriorated below our minimum standards. In the event site deterioration occurs, each brand makes a concerted effort to improve the restaurant's performance by providing physical, operating and marketing enhancements unique to each restaurant's situation. If efforts to restore the restaurant's performance to acceptable minimum standards are unsuccessful, the brand considers relocation to a proximate, more desirable site, or evaluates closing the restaurant if the brand's measurement criteria, such as return on investment and area demographic trends, do not support relocation. We closed eight company-owned restaurants in fiscal year 2017 that were generally performing below our standards or were near or at the expiration of their lease terms. If local market conditions warrant, we also opportunistically evaluate company-owned restaurants to determine if relocation to a proximate, more desirable site will strengthen our presence in those trade areas or markets. We relocated one company-owned restaurant in fiscal year 2017. Our strategic plan is targeted to support our long-term growth objectives, with a focus on continued development of those restaurant locations that have the greatest return potential for the Company and our shareholders.

Franchise Development

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

As part of our strategy to expand through our franchisees, our franchise operated locations increased in fiscal year 2017. The following table illustrates the percentages of franchise operations as of June 28, 2017 for the Company and by restaurant brand, respectively:

	Percentage of Franchise Operated Restaurants		
	Domestic(1)	International(2)	Overall(3)
Brinker	24%	96%	40%
Chili's	25%	96%	41%
Maggiano's	—%	—%	—%

(1) The percentages in this column are based on number of domestic franchised restaurants versus total domestic restaurants.
(2) The percentages in this column are based on number of international franchised restaurants versus total international restaurants. Restaurants operated by our Mexican joint venture are included as international franchised restaurants.
(3) The percentages in this column are based on the total number of franchised restaurants (domestic and international) versus total system-wide number of restaurants.

International

We continue our international growth through development agreements with new and existing franchisees and joint venture partners, introducing Chili's to new countries and expanding the brand within our existing markets. As of June 28, 2017, we had 24 total development arrangements. During fiscal year 2017, our international franchisees and joint venture partners opened 30 Chili's restaurants. We entered into new development agreements with new and existing franchisees for development in Mexico, Peru and Vietnam.

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

Domestic

We remain committed to also growing our number of domestic franchised restaurants. We plan to accomplish this through existing, new or renewed development and franchise agreements with new or existing franchisees. In addition, we have from time to time also sold and may sell company-owned restaurants to our franchisees (new or existing). As of June 28, 2017, four domestic development arrangements existed. Similar to our international agreements, a typical domestic agreement provides for payment of development and initial franchise fees in addition to subsequent royalty and advertising fees based on the gross sales of each restaurant. We expect future domestic agreements to remain limited to enterprises having significant experience as restaurant operators and proven financial ability to support and develop multi-unit operations.

During the year ended June 28, 2017, our domestic franchisees opened six Chili's restaurants.

Restaurant Management

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

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

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

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

Supply Chain

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

Advertising and Marketing

As a “polished casual” restaurant, with just more than 50 locations, Maggiano’s primarily targets affluent baby boomers who live and work around the higher-end malls where the majority of Maggiano’s restaurants are located. Maggiano’s relies primarily on direct marketing, social media and word of mouth to advertise to new guests. As a large, nationally penetrated bar and grill brand, Chili’s appeals to a broader population. More than 50 million Americans visit Chili’s every three months, ranging across all income and ethnic groups. As casual-dining traffic has softened in recent years, we have worked hard to be more precise in defining the Chili’s guest target. Today our primary focus for developing menu innovation and targeting our TV and digital advertising are the Generation X and young millennial families who desire quality food, good value and a service experience that allows them to connect with family and friends. These young families represent a significant percentage of our guest base today and, we believe, will only grow in importance in the years ahead.

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

Team Members

As of June 28, 2017, we employed 57,906 team members, of which 581 were restaurant support center personnel in Dallas, and 4,416 were restaurant regional and area directors, managers, or trainees. The remaining 52,909 were employed in non-management restaurant positions. Our executive officers have an average of 23 years of experience in the restaurant industry.

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

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

Trademarks

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

Available Information

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

Item 1A. RISK FACTORS.

We wish to caution you that our business, financial condition and results of operations are subject to a number of risks and uncertainties. The risk factors listed below could cause actual results to differ materially from our historical results or from those projected in forward-looking statements contained in this report, our other filings with the SEC, our news releases, or our other verbal or written communications. Additional risks and uncertainties that are currently not known or believed by us to be immaterial may also have a material negative impact on our business, financial condition and results of operations. In any such event, the trading price of our securities could decline and you could lose all or part of your investment.

Competition may adversely affect our operations and financial results.

The restaurant business is highly competitive as to price, service, restaurant location, nutritional and dietary trends and food quality and is often affected by changes in consumer tastes, economic conditions, population and traffic patterns. We compete within each market with locally-owned restaurants as well as national and regional restaurant chains, some of which operate more restaurants and have greater financial resources and longer operating histories than ours. The casual dining segment of the restaurant industry has not seen any significant growth in customer traffic in recent years. If this trend continues, our ability to grow customer traffic at our restaurants will depend on our ability to increase our market share within the casual dining segment. We also face competition from quick service and fast casual restaurants; the convergence in grocery, deli and restaurant services; and meal kit and food delivery providers. We compete primarily on the quality, variety and value perception of menu items, as well as the quality and efficiency of service, the attractiveness of facilities and the effectiveness of advertising and marketing programs. Our restaurants also face competition from the introduction of new products and menu items by competitors, as well as substantial price discounting among offers. Although we may implement a number of business strategies, the success of new products, initiatives and overall strategies is highly difficult to predict. If we are unable to compete effectively, we may lose customer traffic and our gross sales and profitability may decline.

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

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

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

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

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

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

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

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

Employment and labor laws and regulations may increase the cost of labor for our restaurants.

We are subject to various federal, state and local employment and labor laws and regulations that govern employment and labor matters, including, employment discrimination, minimum wages, work scheduling, overtime, tip credits, tax reporting, working conditions, safety standards, family leave and immigration status. Compliance with these laws and regulations can be costly, and a failure or perceived failure to comply with these laws could result in negative publicity or litigation. Many states and localities are contemplating increases to their minimum wage and tip credit wage, and such increases can have a significant impact on our labor costs. In addition, new employment or labor laws may mandate additional benefits for employees or impose additional obligations that may adversely impact the costs of labor, the availability of labor and our business operations. In addition, our suppliers may be affected by higher minimum wage standards or availability of labor, which may increase the price of goods and services they supply to us. There are no assurances that a combination of cost management and price increases can accommodate all of the costs associated with compliance.

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

We are subject to extensive federal, state, local and international laws and regulations, which vary from jurisdiction to jurisdiction and which increase our exposure to litigation and governmental proceedings. Among other laws and regulations, we are subject to laws and regulations relating to nutritional content and menu labeling, including the Affordable Care Act, which requires restaurant companies such as ours to disclose calorie information on their menus by May 2018. Compliance with these laws and regulations may lead to increased costs and operational complexity, changes in sales mix and profitability, and increased exposure to governmental investigations or litigation. We cannot reliably anticipate any changes in guest behavior resulting from implementation of these laws.

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

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

We are subject to federal and state laws and regulations which govern the offer and sale of franchises and which may supersede the terms of franchise agreements between us and our franchisees. Failure to comply with such laws and regulations or to obtain or retain licenses or approvals to sell franchises could adversely affect us and our franchisees. Due to our international franchising, we are also subject to governmental regulations throughout the world impacting the way we do business with our international franchisees and joint venture partners. These include antitrust and tax requirements, anti-boycott regulations, import/export/customs and other international trade regulations, the USA Patriot Act and the Foreign Corrupt Practices Act. Failure to comply with any such legal requirements could subject us to monetary liabilities and other sanctions, which could adversely impact our business and financial performance.

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

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

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

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

We evaluate and may pursue opportunities for growth through new and existing franchise partners, joint venture investments, acquisition of restaurant concepts, expansion of our brands to other retail opportunities, and strategic mergers, acquisitions and divestitures. These strategic initiatives involve various inherent risks, including, without limitation:

- inaccurate assessment of the value, future growth potential, strengths, weaknesses, contingent and other liabilities and potential profitability of such strategic initiatives;
- damaging our reputation if the strategic initiatives result in products or services that are not of the same quality that our customers associate with our brands;
- diversion of management's attention and focus from existing operations to the strategic initiative;
- inability to achieve projected economic and operating synergies;
- challenges in successfully integrating an acquired business and instilling our company culture in new management and team members;
- potential loss of key personnel of any acquired business; and
- unanticipated changes in business and economic conditions affecting an acquired business or the completion of a divestiture.

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

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

- increase gross sales and operating profits at existing restaurants with food and beverage options desired by our guests;
- evolve our marketing and branding strategies in order to appeal to guests;
- innovate and implement technology initiatives that provide a unique digital guest experience;
- identify adequate sources of capital to fund and finance strategic initiatives, including reimaging of existing restaurants, new restaurant development and new restaurant equipment;
- grow and expand operations, including identifying available, suitable and economically viable locations for new restaurants; and
- improve the speed and quality of our service.

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

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

Failure to recruit, train and retain high-quality restaurant management and team members may result in lower guest satisfaction and lower sales and profitability.

Our restaurant-level management and team members are largely responsible for the quality of our service. Our guests may be dissatisfied and our sales may decline if we fail to recruit, train and retain managers and team members that effectively implement our business strategy and provide high quality guest service. There is active competition for quality management personnel and hourly team members. If we experience high turnover, we may experience higher labor costs and have a shortage of adequate management personnel required for future growth.

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

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

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

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

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

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

Downgrades in our credit ratings could impact our ability to access capital and materially adversely affect our business, financial condition and results of operations.

Credit rating agencies continually review their ratings for the companies that they follow, including us. Credit rating agencies also evaluate the industries in which we and our affiliates operate as a whole and may change their credit rating for us based on their overall view of such industries. There can be no assurance that any rating assigned to our currently outstanding public debt securities will remain in effect for any given period of time or that any such ratings will not be further lowered, suspended or withdrawn entirely by a rating agency if, in that agency's judgment, circumstances so warrant.

A downgrade of our credit ratings could, among other things:

- limit our ability to access capital or otherwise adversely affect the availability of other new financing on favorable terms, if at all;
- result in more restrictive covenants in agreements governing the terms of any future indebtedness that we may incur;
- cause us to refinance indebtedness with less favorable terms and conditions, which debt may require collateral and restrict, among other things, our ability to pay distributions or repurchase shares;
- increase our cost of borrowing;
- adversely affect the market price of our outstanding debt securities; and
- impair our business, financial condition and results of operations.

Inflation and fluctuations in energy costs may increase our operating expenses.

We have experienced impact from inflation and fluctuations in utility and energy costs. Inflation has caused added food, labor and benefits costs and increased our operating expenses. Fluctuations and increases in utility and energy costs have also increased our operating expenses on regional or national levels, including through suppliers putting pressure on margins by passing on higher prices for petroleum-based fuels. As operating expenses rise, we, to the extent permitted by competition, recover costs by raising menu prices, or by implementing alternative products, processes or cost reduction procedures. We cannot ensure, however, we will be able to continue to recover increases in operating expenses due to inflation in this manner.

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

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

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

There has been a marked increase in the use of social media and similar platforms which allow individuals access to a broad audience of consumers and other interested persons. Many social media platforms immediately publish the content their subscribers and participants post, often without filters or checks on accuracy of the content posted. Information posted on such platforms at any time may be adverse to our interests and may harm our performance, prospects or business, regardless of the information's accuracy.

As part of our marketing strategy, we rely on search engine marketing, social media and new technology platforms to attract and retain guests and maintain brand relevance. Our strategy and initiatives may not be successful, resulting in expenses incurred without improvement in guest traffic or brand relevance. In addition, a variety of risks are associated with the use of social media, including the improper disclosure of proprietary information, negative comments about us, exposure of personally identifiable information, fraud, or out-of-date information. The inappropriate use of social media vehicles by our guests or employees could increase our costs, lead to litigation or result in negative publicity that could damage our reputation.

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

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

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

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

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

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

We receive and maintain certain personal information about our guests and team members in our information technology systems, such as point-of-sale, web and mobile platforms, including our rewards program. Use of this information is regulated at the federal and state levels, as well as by certain third party contracts. Additionally, our systems contain proprietary and confidential information related to our business. If our or our business associates' information systems are compromised as a result of a cyber attack or other external or internal method, or we fail to comply with applicable laws and regulations, it could result in a violation of the laws and regulations, and an adverse and material impact on our reputation, operations, results of operations and financial condition. Such security breaches could also result in litigation or governmental investigation against us or the imposition of penalties. These impacts could also occur if we are perceived either to have had an attack or to have failed to properly respond to an incident. Like many other retail companies, we experience frequent attempts to compromise our systems but none have resulted in a material breach. As privacy and information security laws and regulations change or cyber risks evolve pertaining to data, we may incur additional costs in technology, third-party services and personnel to remain in compliance and maintain systems designed to anticipate and prevent cyber attacks. Our security frameworks prevent breaches of our systems and data loss, but these measures cannot provide assurance that we will be successful in preventing such breaches or data loss.

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

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

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

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

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

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

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

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

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

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

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

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

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and operating results.

We are subject to the ongoing internal control provisions of Section 404 of the Sarbanes-Oxley Act of 2002, which requires management and auditors to assess the effectiveness of internal controls. As further described in Item 9A of this Form 10-K, management has concluded that, because of a material weakness in internal control over financial reporting related to accounting for deferred income taxes, our disclosure controls and procedures were not effective as of June 28, 2017. If we fail to correct this material weakness in our internal controls, or having corrected such material weakness, thereafter fail to maintain the adequacy of our internal controls, we could be subjected to regulatory scrutiny, penalties or shareholder litigation. In addition, continued or future failure to maintain adequate internal controls could result in consolidated financial statements that do not accurately reflect our financial condition, cause investors to lose confidence in our reported financial information and have a negative effect on the trading price of our common stock. The process of designing and implementing effective internal controls is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. We cannot assure you that the measures we will take will remediate any material weaknesses identified or that we may identify in the future, or that we will implement and maintain adequate controls over our financial process and reporting in the future.

Pursuant to Section 404 of the Sarbanes-Oxley Act and current SEC regulations, we are required to prepare assessments regarding internal control over financial reporting and furnish a report by our management on our internal control over financial reporting. Failure to achieve and maintain an effective internal control environment or complete our Section 404 certifications could have a material adverse effect on our stock price.

Any failure to complete our assessment of our internal control over financial reporting, to remediate any material weaknesses or to implement new or improved controls could harm our operating results, cause us to fail to meet our reporting obligations or result in material misstatements in our consolidated financial statements. Any such failure could also adversely affect the results of the periodic management evaluations of our internal controls and, in the case of a failure to remediate any material weaknesses that we may identify, would adversely affect the annual auditor attestation reports regarding the effectiveness of our internal control over financial reporting that are required under Section 404 of the Sarbanes-Oxley Act. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

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

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

Our business and operation could be negatively affected if we become subject to any securities litigation or shareholder activism, which could cause us to incur significant expense, hinder execution of investment strategy and impact our stock price.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Shareholder activism, which could take many forms or arise in a variety of situations, has been increasing in publicly traded companies recently. While we are currently not subject to any securities litigation or shareholder activism, due to the potential volatility of our stock price and for a variety of other reasons, we may in the future become the target of securities litigation or shareholder activism. Securities litigation and shareholder activism, including potential proxy contests, could result in substantial costs and divert management's and our board of directors' attention and resources from our business. Additionally, such securities litigation and shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with service providers and make it more difficult to attract and retain qualified personnel. Also, we may be required to incur significant legal fees and other expenses related to any securities litigation and activist shareholder matters. Further, our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any securities litigation and shareholder activism.

From time to time we may implement measures that make it more difficult for an activist investor or potential acquirer to purchase a large portion of our securities, to initiate a tender offer or a proxy contest, or to acquire the Company through a merger or similar transaction. These measures may discourage investment in our common stock and may delay or discourage acquisitions that would result in our stockholders receiving a premium for their shares over the then-current market price.

Other risk factors may adversely affect our financial performance.

Other risk factors that could cause our actual results to differ materially from those indicated in the forward-looking statements, include, without limitation, changes in financial and credit markets (including rising interest rates); increased fuel costs and availability for our team members, customers and suppliers; increased health care costs; health epidemics or pandemics or the prospects of these events; changes in consumer behaviors; changes in demographic trends; labor shortages and availability of employees; union organization; strikes; terrorist acts; energy shortages and rolling blackouts; and weather (including, major hurricanes and regional winter storms); inadequate insurance coverage; and limitations imposed by our credit agreements.

Item 1B. UNRESOLVED STAFF COMMENTS.

None.

Item 2. PROPERTIES.

Restaurant Locations

As of June 28, 2017, our system of company-owned and franchised restaurants included 1,674 restaurants located in 49 states and Washington, D.C. We also have restaurants in the U.S. territories of Guam and Puerto Rico and the countries of Bahrain, Canada, Colombia, Costa Rica, Dominican Republic, Ecuador, Egypt, El Salvador, Germany, Guatemala, Honduras, India, Indonesia, Japan, Jordan, Kuwait, Lebanon, Malaysia, Mexico, Morocco, Oman, Peru, Philippines, Qatar, Saudi Arabia, Singapore, South Korea, Taiwan, Tunisia and United Arab Emirates. We have provided you a breakdown of our portfolio of restaurants in the two tables below:

Table 1: Company-owned vs. franchise (by brand) as of June 28, 2017:

Chili's	
Company-owned (domestic)	937
Company-owned (international)	14
Franchise	671
Maggiano's	
Company-owned	52
Total	1,674

Table 2: Domestic vs. foreign locations (by brand) as of June 28, 2017 (company-owned and franchised):

	Domestic (No. of States)	Foreign (No. of countries and U.S. territories)
Chili's	1,252(49)	370(32)
Maggiano's	52(22 & D.C.)	—

Restaurant Property Information

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

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

As of June 28, 2017, we owned the land and building for 190 of our 1,003 company-owned restaurant locations (domestic and international). For these 190 restaurant locations, the net book value for the land was $143 million and for the buildings was $97 million. For the remaining 813 restaurant locations leased by us, the net book value of the buildings and leasehold improvements was $536 million. The 813 leased restaurant locations can be categorized as follows: 666 are ground leases (where we lease land only, but own the building) and 147 are retail leases (where we lease the land/retail space and building). We believe that our properties are suitable, adequate, well-maintained and sufficient for the operations contemplated. Our leased restaurants are leased for an initial lease term which is typically ten to twenty years, with one or more renewal terms typically ranging from one to 10 years. The leases typically provide for a fixed rental or a fixed rental plus percentage rentals based on sales volume.

Other Properties

We own an office building containing approximately 108,000 square feet which we use for part of our corporate headquarters and menu development activities. We lease an additional office complex containing approximately 198,000 square feet for the remainder of our corporate headquarters. We entered into a lease for a new corporate headquarters office building to consist of approximately 216,300 square feet. Construction of our new corporate headquarters will not be complete until fiscal year 2019.

Item 3. LEGAL PROCEEDINGS.

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

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

Item 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

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

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

Fiscal year ended June 28, 2017:

	High	Low
First Quarter	$ 54.74	$ 45.03
Second Quarter	$ 55.19	$ 47.64
Third Quarter	$ 50.03	$ 41.14
Fourth Quarter	$ 45.46	$ 36.93

Fiscal year ended June 29, 2016:

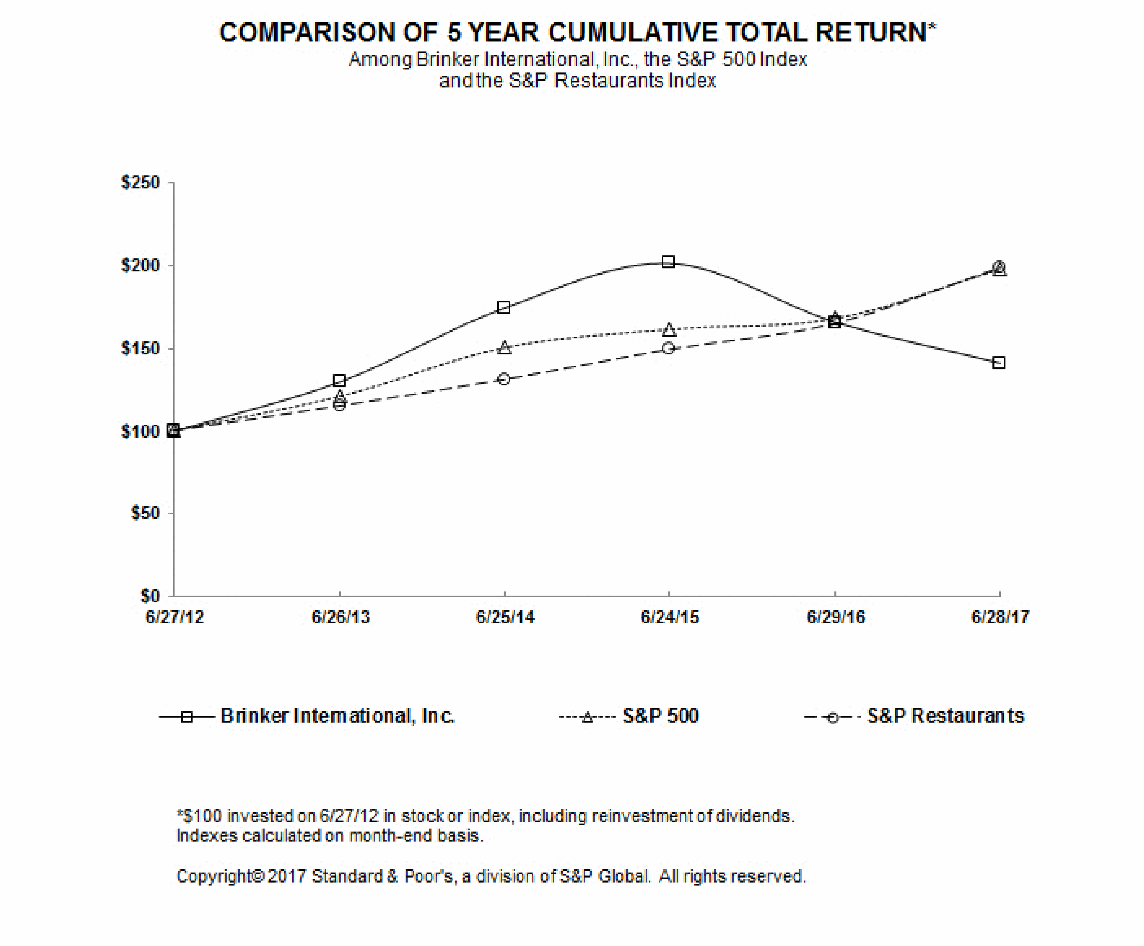
	High	Low
First Quarter	$ 59.90	$ 52.50
Second Quarter	$ 52.67	$ 43.42
Third Quarter	$ 51.12	$ 45.68
Fourth Quarter	$ 47.68	$ 43.83

As of August 14, 2017, there were 479 holders of record of our common stock.

During the fiscal year ended June 28, 2017, we continued to declare quarterly cash dividends for our shareholders. We have set forth the dividends declared for the fiscal year in the following table on the specified dates:

Dividend Per Share of Common Stock	Declaration Date	Record Date	Payment Date
$0.34	August 18, 2016	September 9, 2016	September 29, 2016
$0.34	November 15, 2016	December 9, 2016	December 29, 2016
$0.34	February 9, 2017	March 10, 2017	March 30, 2017
$0.34	May 25, 2017	June 12, 2017	June 29, 2017

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



The graph assumes a $100 initial investment and the reinvestment of dividends in our stock and each of the indexes on June 27, 2012 and its relative performance is tracked through June 28, 2017. The values shown are neither indicative nor determinative of future performance.

	2012	2013	2014	2015	2016	2017
Brinker International	$ 100.00	$ 129.67	$ 174.36	$ 201.23	$ 165.78	$ 140.99
S&P 500	$ 100.00	$ 120.60	$ 150.27	$ 161.43	$ 167.87	$ 197.92
S&P Restaurants(1)	$ 100.00	$ 114.93	$ 131.02	$ 149.24	$ 165.00	$ 198.83

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

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

On September 23, 2016, we completed the private offering of $350 million of our 5.0% Senior Notes due October 2024 (the “2024 Notes”). J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC served as joint book-running managers for the offering. The 2024 Notes were sold only to qualified institutional buyers in compliance with Rule 144A of the Securities Act of 1933, as amended (the “Securities Act”), and to non-U.S. persons outside of the United States in compliance with Regulation S of the Securities Act. We received proceeds of $350.0 million prior to debt issuance costs of $6.2 million and utilized the proceeds to fund a $300 million accelerated share repurchase agreement and to repay $50.0 million on the amended $1 billion revolving credit facility.

During the three-year period ended on August 15, 2017, other than the 2024 Notes, we issued no securities which were not registered under the Securities Act of 1933, as amended.

We continue to maintain our share repurchase program; on August 10, 2017, our Board of Directors authorized an additional $250 million in share repurchases, bringing the total authorization to $4.6 billion. During the fourth quarter, we repurchased shares as follows (in thousands, except share and per share amounts):

	Total Number of Shares Purchased(a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value that May Yet be Purchased Under the Program(b)
March 30, 2017 through May 3, 2017	2,089	$ 43.90	—	$ 135,800
May 4, 2017 through May 31, 2017	—	$ —	—	$ 135,800
June 1, 2017 through June 28, 2017	530,169	$ 37.74	529,648	$ 115,804
Total	532,258	$ 37.76	529,648	

(a) These amounts include shares purchased as part of our publicly announced programs and shares owned and tendered by team members to satisfy tax withholding obligations on the vesting of restricted share awards, which are not deducted from shares available to be purchased under publicly announced programs. Unless otherwise indicated, shares owned and tendered by team members to satisfy tax withholding obligations were purchased at the average of the high and low prices of the Company’s shares on the date of vesting. During the fourth quarter of fiscal year 2017, 2,610 shares were tendered by team members at an average price of $43.50.

(b) The final amount shown is as of June 28, 2017.

Item 6. SELECTED FINANCIAL DATA.

The information set forth in that section entitled “Selected Financial Data” in our 2017 Annual Report to Shareholders is presented on page F-1 of Exhibit 13 to this document. We incorporate that information in this document by reference.

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

The information set forth in that section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2017 Annual Report to Shareholders is presented on pages F-2 through F-14 of Exhibit 13 to this document. We incorporate that information in this document by reference.

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

The information set forth in that section entitled “Quantitative and Qualitative Disclosures About Market Risk” contained within “Management’s Discussion and Analysis of Financial Condition and Results of Operations” is in our 2017 Annual Report to Shareholders presented on page F-14 of Exhibit 13 to this document. We incorporate that information in this document by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

We refer you to the Index to Financial Statements attached hereto on page 25 for a listing of all financial statements in our 2017 Annual Report to Shareholders. This report is attached as part of Exhibit 13 to this document. We incorporate those financial statements in this document by reference.

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

None.

Item 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer and, as appropriate, to allow timely decisions regarding required disclosures.

In connection with the preparation of this Form 10-K, we carried out an evaluation under the supervision of and with the participation of management, including the principal executive officer and principal financial officer, as of June 28, 2017, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon this evaluation, the principal executive officer and principal financial officer concluded that as of June 28, 2017, our disclosure controls and procedures were not effective because of the material weakness in the internal control described below.

In connection with the preparation of the consolidated financial statements for the year ended June 28, 2017, we identified and assessed a material weakness relating to the accuracy of the deferred income tax liability, primarily related to property and equipment, as a result of immaterial errors in prior years. We are developing a remediation plan and are in the process of designing and implementing new internal controls in an effort to remediate the material weakness described below. Given the fact that these new internal controls have not been fully implemented we concluded that the material weakness was not remediated as of June 28, 2017.

In light of the material weakness in internal control over financial reporting, we engaged significant internal and external resources to perform supplemental procedures prior to filing this Annual Report on Form 10-K. These additional procedures allow us to conclude that, notwithstanding the material weakness in our internal control over financial reporting, the consolidated financial statements included in this report fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States of America.

No system of controls, no matter how well designed and operated, can provide absolute assurance that the objectives of the system of controls will be met, and no evaluation of controls can provide absolute assurance that all control deficiencies or material weaknesses have been or will be detected. As described above in Item 1A: Risk Factors, - Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and operating results, if the Company's remediation efforts do not prove effective and control deficiencies and material weaknesses persist or occur in the future, the accuracy and timing of our financial reporting may be adversely affected.

Management's Annual Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

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

Management, including the principal executive officer and principal financial officer, has conducted an assessment, including testing, of the effectiveness of the Company's internal control over financial reporting as of June 28, 2017, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - An Integrated Framework (2013). Based on this evaluation, management has identified a material weakness in our internal controls over the measurement and presentation of deferred income taxes. Specifically, the Company did not have effective controls over the completeness and accuracy of temporary taxable and deductible differences between the book carrying amount and the tax basis of the underlying assets and liabilities at interim and annual reporting dates and including when the tax returns were filed. These process level control deficiencies resulted from a lack of skilled resources in the tax department with sufficient understanding of internal control over financial reporting.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The control deficiencies described above resulted in immaterial misstatements of the Company's provision for income taxes as well as the deferred tax liability, primarily related to property and equipment, and income taxes payable in our consolidated financial statements as at and for the year ended June 29, 2016 which was corrected in our consolidated financial statements for the year ended June 28, 2017 as further described in Note 16 to the notes to the consolidated financial statements. Moreover, these control deficiencies create a reasonable possibility that a material misstatement to our consolidated financial statements will not be prevented or detected on a timely basis. As a result, we concluded that the deficiencies represent a material weakness in our internal control over financial reporting and that our internal control over financial reporting is not effective as of June 28, 2017.

Our independent registered public accounting firm, KPMG LLP, has expressed an adverse report on the operating effectiveness of our internal control over financial reporting. KPMG LLP's report appears on page F-42 of this Form 10-K.

Remediation

We are committed to remediating the material weakness in a timely manner. In June 2017, we hired a Senior Tax Director with significant expertise in accounting for all facets of income taxes and related internal control processes who will be responsible for the hiring and training of additional tax department personnel. In addition, we have begun to implement and monitor the following actions to accumulate adequate evidence over a reasonable period of time to determine that new or modified processes, procedures, controls and oversight relating to such controls are operating effectively:

- Engaging external tax advisors to assist with the design and implementation of a remediation plan that will enhance internal control over financial reporting for income taxes;
- Designing and implementing process and system improvements in our tax department that will simplify and improve manual reconciliation controls and enhance our ability to effectively train tax department personnel;
- Ensuring that tax department personnel effectively collaborate with financial reporting and other key departments to gain a detailed understanding of the information, analysis, and documentation necessary for the accurate presentation of deferred income taxes.

Changes in Internal Control over Financial Reporting

Except for the Company's identification, assessment and development of a remediation plan of the material weakness described above, there were no changes in our internal control over financial reporting during our fourth fiscal quarter of 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION.

Appointment of Senior Vice President and Chief Financial Officer

The Company appointed Joe Taylor as Senior Vice President and Chief Financial Officer of the Company, effective as of August 22, 2017. Mr. Taylor, 58, most recently served as the Company's Interim Chief Financial Officer from April 2017 to present, and as the Company's Vice President of Investor Relations and Treasurer from June 2016 until present. He served in various positions of increasing responsibility at the Company from 1999 until 2016, including Vice President of Investor Relations from August 2015 to June 2016, Vice President of Corporate Affairs from July 2003 to August 2015, and Vice President of Finance and Treasurer from December 1999 to July 2003.

As a result of his promotion and to reflect his increased level of responsibility, Mr. Taylor's base salary will be increased to $425,000, and he received a one-time cash award of $25,000. Under the Company's F18 Profit Sharing Plan, Mr. Taylor will also be eligible to receive a cash bonus in the amount of 60% of his base salary upon the Company's achievement of performance goals at the target level. In addition, Mr. Taylor will receive an annual equity grant valued at $450,000, comprised of a combination of stock options, time vested restricted stock units and performance shares. Mr. Taylor will also be party to a Change in Control Severance Agreement with the Company in the form previously filed with the Securities and Exchange Commission as an exhibit to the Company's Form 10-Q filed on March 29, 2017, and incorporated herein by reference.

Performance Share Plan

On August 22, 2017, the Compensation Committee of the Board of Directors of the Company (the "Committee") approved the Brinker International, Inc. F2018 Performance Share Plan (the "2018 Plan"). The 2018 Plan is adopted pursuant to the Committee's authority under the Brinker International, Inc. Stock Option and Incentive Plan (the "SOIP"), as most recently amended and re-approved by the shareholders of the Company on November 7, 2013, to provide greater incentive to officers and key employees of the Company and its affiliates to achieve the highest level of individual performance and to encourage such officers or key employees to meet or exceed specified performance goals in order to contribute to the overall success of the Company. The Plan is in all respects subject to the provisions of the SOIP. Under the Plan, officers and key employees of the Company may be granted the right to receive shares of the Company's common stock upon satisfaction of performance metrics and/or other requirements established by the Committee.

The above summary of the 2018 Plan does not purport to be complete and is qualified in its entirety by reference to the 2018 Plan, which is attached as Exhibit 10(j) to this Form 10-K.

2018 Stock Option Award

On August 22, 2017, the Committee approved the Brinker International, Inc. Terms of F2018 Stock Option Award (the "2018 Option Award"). The 2018 Option Award is adopted pursuant to the Committee's authority under the SOIP and is in all respects subject to the provisions of the SOIP. Pursuant to the 2018 Option Award, officers and key employees of the Company may be granted the option to purchase shares of the Company's common stock at amounts set forth in award letters, which represents the closing price per share of the Company's common stock on the trading day coinciding with the grant date. One-fourth of the options will vest on August 31st of each of 2018, 2019, 2020 and 2021, and will expire on August 31, 2025.

The above summary of the 2018 Option Award does not purport to be complete and is qualified in its entirety by reference to the 2018 Option Award, which is attached as Exhibit 10(k) to this Form 10-K.

2018 Retention Stock Unit Award

On August 22, 2017, the Committee approved the Brinker International, Inc. Terms of F2018 Retention Stock Unit Award (the "2018 Retention Stock Award"). The 2018 Retention Stock Award is adopted pursuant to the Committee's authority under the SOIP and is in all respects subject to the provisions of the SOIP. Pursuant to the 2018 Retention Stock Award, officers and key employees of the Company may be awarded shares of the Company's common stock, which become fully vested on the third anniversary of the award date, subject to satisfaction of all applicable terms and conditions and subject to certain provisions for early vesting.

The above summary of the 2018 Retention Stock Award does not purport to be complete and is qualified in its entirety by reference to the 2018 Retention Stock Award, which is attached as Exhibit 10(l) to this Form 10-K.

2018 Restricted Stock Unit Award

On August 22, 2017, the Committee approved the Brinker International, Inc. Terms of F2018 Restricted Stock Unit Award (the "2018 Restricted Stock Award"). The 2018 Restricted Stock Award is adopted pursuant to the Committee's authority under the SOIP and is in all respects subject to the provisions of the SOIP. Pursuant to the 2018 Restricted Stock Award, officers and key employees of the Company may be awarded shares of the Company's common stock, which become fully vested on the third anniversary of the award date, subject to satisfaction of all applicable terms and conditions and subject to certain provisions for early vesting.

The above summary of the 2018 Restricted Stock Award does not purport to be complete and is qualified in its entirety by reference to the 2018 Restricted Stock Award, which is attached as Exhibit 10(m) to this Form 10-K.

CEO Special Equity Award

On August 22, 2017, the Committee approved a CEO Special Equity Award (the "Performance-Based Agreement") in order to incentivize Wyman Roberts, President and Chief Executive Officer of the Company, to continue leading the Company during a transformative period in the industry and to further align the compensation of Mr. Roberts with Company performance and increases in shareholder value. The Performance-Based Agreement grants Mr. Roberts performance-based stock options of 500,000 shares of the Company's common stock (the "Performance-Based Options"). All or a portion of the Performance-Based Options may vest in accordance with the following terms and conditions:

(i) One-half of the Performance-Based Options will vest at the end of the 2021 fiscal year of the Company if the Company achieves EPS (as defined in the Performance-Based Agreement) equal to or greater than $4.40 (the "2021 EPS Performance Condition") for the Company's 2021 fiscal year.

(ii) One-half of the Performance-Based Options will vest at the end of the 2022 fiscal year of the Company if the Company achieves EPS equal to or greater than $5.00 for the Company's 2022 fiscal year. In the event that the 2021 EPS Performance Condition is not met in the Company's 2021 fiscal year, then all of the Performance-Based Options will vest at the end of the 2022 fiscal year of the Company if the 2022 EPS Performance Condition is satisfied during the Company's 2022 fiscal year.

The Performance-Based Options have an exercise period of eight years from the date of vesting. The Performance-Based Agreement also provides for the treatment of the Performance-Based Options granted to Mr. Roberts following certain specified terminations of employment, including in connection with a change of control, a termination without cause, retirement, death and disability.

The above summary of the Performance-Based Agreement does not purport to be complete and is qualified in its entirety by reference to the Performance-Based Agreement, which is attached as Exhibit 10(n) to this Form 10-K.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

If you would like information about:

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

you should read the sections entitled "Election of Directors—Information About Nominees", "Committees of the Board of Directors", "Executive Officers", and "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement to be dated on or about September 27, 2017, for the annual meeting of shareholders on November 16, 2017. We incorporate that information in this document by reference.

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

Item 11. EXECUTIVE COMPENSATION.

If you would like information about our executive compensation, you should read the section entitled "Executive Compensation—Compensation Discussion and Analysis" in our Proxy Statement to be dated on or about September 27, 2017, for the annual meeting of shareholders on November 16, 2017. We incorporate that information in this document by reference.

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

If you would like information about our security ownership of certain beneficial owners and management and related stockholder matters, you should read the sections entitled "Director Compensation for Fiscal 2017 ", "Compensation Discussion and Analysis", and "Stock Ownership of Certain Persons" in our Proxy Statement to be dated on or about September 27, 2017, for the annual meeting of shareholders on November 16, 2017. We incorporate that information in this document by reference.

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

If you would like information about certain relationships and related transactions, you should read the section entitled "Compensation Committee Interlocks and Insider Participation" in our Proxy Statement to be dated on or about September 27, 2017, for the annual meeting of shareholders on November 16, 2017. We incorporate that information in this document by reference.

If you would like information about the independence of our non-management directors and the composition of the Audit Committee, Compensation Committee and Governance and Nominating Committee, you should read the sections entitled "Director Independence" and "Committees of the Board of Directors" in our Proxy Statement to be dated on or about September 27, 2017, for the annual meeting of shareholders on November 16, 2017. We incorporate that information in this document by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

If you would like information about principal accountant fees and services, you should read the section entitled "Ratification of Independent Auditors" in our Proxy Statement to be dated on or about September 27, 2017, for the annual meeting of shareholders on November 16, 2017. We incorporate that information in this document by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a)(1) Financial Statements.

We make reference to the Index to Financial Statements attached to this document on page 25 for a listing of all financial statements attached as Exhibit 13 to this document.

(a)(2) Financial Statement Schedules.

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

(a)(3) Exhibits.

We make reference to the Index to Exhibits preceding the exhibits attached hereto on page E-1 through E-2 for a list of all exhibits filed as a part of this document.

SIGNATURES

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

BRINKER INTERNATIONAL, INC.,
a Delaware corporation

By: /S/ JOSEPH G. TAYLOR
Joseph G. Taylor
Senior Vice President and Chief Financial Officer

Dated: August 28, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, we have signed in our indicated capacities on August 28, 2017.

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

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

The following are attached hereto as part of Exhibit 13.

INDEX TO EXHIBITS

Exhibit	
3(a)	Certificate of Incorporation of the Registrant, as amended.(1)
3(b)	Bylaws of the Registrant.(2)
4(a)	Form of 2.600% Note due 2018.(3)
4(b)	Form of 3.875% Note due 2023.(3)
4(c)	Indenture between the Registrant and Wilmington Trust, National Association, as Trustee.(4)
4(d)	First Supplemental Indenture between Registrant and Wilmington Trust, National Association.(3)
4(e)	Second Supplemental Indenture between Registrant and Wilmington Trust, National Association.(3)
4(f)	Form of 5.000% Senior Note due 2024.(5)
4(g)	Indenture dated as of September 23, 2016, by and among the Company, the Guarantors named therein and U.S. Bank National Association, as trustee.(5)
10(a)	Registrant's Stock Option and Incentive Plan.(6)
10(b)	Registrant's 1999 Stock Option and Incentive Plan for Non-Employee Directors and Consultants.(7)
10(c)	Registrant's Performance Share Plan Description.(8)
10(d)	Credit Agreement dated as of March 12, 2015, by and among Registrant, Brinker Restaurant Corporation, Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities, LLC, Regions Capital Markets, a Division of Regions Bank, Wells Fargo Securities, LLC, J.P. Morgan Chase Bank, N.A., Regions Bank, Compass Bank, Wells Fargo Bank, National Association, The Bank of Tokyo - Mitsubishi UFJ, Ltd., U.S. Bank National Association and Greenstone Farm Credit Services.(9)
10(e)	Second Amendment to Credit Agreement dated September 13, 2016, by and among Registrant and its wholly-owned subsidiaries, Brinker Restaurant Corporation, Brinker Florida, Inc., Brinker Texas, Inc., Bank of America, N.A., JPMorgan Chase Bank, N.A., Wells Fargo Bank, N.A., The Bank of Tokyo-Mitsubishi UFJ, Ltd., U.S. Bank National Association, Regions Bank, Compass Bank, Greenstone Farm Credit Services ACA, SunTrust Bank, and Barclays Bank PLC.(10)
10(f)	Registrant's 2017 Performance Share Plan Description.(11)
10(g)	Severance and Change in Control Agreement.(12)
10(h)	Executive Severance Benefits Plan and Summary Plan Description.(12)
10(i)	Change in Control Severance Agreement.(12)
10(j)	Registrant's 2018 Performance Share Plan.(13)
10(k)	Registrant's Terms of F2018 Stock Option Award.(14)
10(l)	Registrant's Terms of F2018 Retention Stock Unit Award.(15)
10(m)	Registrant's Terms of F2018 Restricted Stock Unit Award.(16)
10(n)	Registrant's Terms of CEO Special Equity Award.(17)
13	2017 Annual Report to Shareholders.(18)
21	Subsidiaries of the Registrant.(19)
23	Consent of Independent Registered Public Accounting Firm.(19)
31(a)	Certification by Wyman T. Roberts, President and Chief Executive Officer of the Registrant, pursuant to 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a).(19)
31(b)	Certification by Joseph G. Taylor, Senior Vice President and Chief Financial Officer of the Registrant, pursuant to 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a).(19)
32(a)	Certification by Wyman T. Roberts, President and Chief Executive Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.(19)
32(b)	Certification by Joseph G. Taylor, Senior Vice President and Chief Financial Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.(19)
99(a)	Proxy Statement of Registrant.(20)

101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase

(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 current report on Form 8-K dated August 26, 2014 and incorporated herein by reference.
(3) Filed as an exhibit to current report on Form 8-K dated May 15, 2013 and incorporated herein by reference.
(4) Filed as an exhibit to registration statement on Form S-3 filed April 30, 2013, SEC File No. 333-188252, and incorporated herein by reference.
(5) Filed as an exhibit to current report on Form 8-K dated September 23, 2016 and incorporated herein by reference.
(6) Filed as an Appendix A to Proxy Statement of Registrant filed on September 17, 2013 and incorporated herein by reference.
(7) Filed as an exhibit to quarterly report on Form 10-Q for the quarter ended December 28, 2005 and incorporated herein by reference.
(8) Filed as an exhibit to quarterly report on Form 10-Q for the quarter ended March 29, 2006 and incorporated herein by reference.
(9) Filed as an exhibit to current report on Form 8-K dated March 12, 2015 and incorporated herein by reference.
(10) Filed as an exhibit to quarterly report on Form 10-Q for quarter ended September 28, 2016 and incorporated herein by reference.
(11) Filed as an exhibit to current report on Form 8-K dated August 18, 2016 and incorporated herein by reference.
(12) Filed as an exhibit to quarterly report on Form 10-Q for the quarter ended March 29, 2017 and incorporated herein by reference.
(13) Filed herewith.
(14) Filed herewith.
(15) Filed herewith.
(16) Filed herewith.
(17) Filed herewith.
(18) Portions filed herewith, to the extent indicated herein.
(19) Filed herewith.
(20) To be filed on or about September 27, 2017.

Exhibit 10(j)

BRINKER INTERNATIONAL, INC.
F2018 PERFORMANCE SHARE PLAN

Pursuant to Section 3 of the Brinker International, Inc. Stock Option and Incentive Plan (the "SOIP"), the Compensation Committee of the Board of Directors of Brinker International, Inc. (the "Committee") may grant stock awards subject to such conditions, restrictions and contingencies as the Committee may determine.

The Brinker International, Inc. F2018 Performance Share Plan (the "Plan") is hereby adopted pursuant to the Committee's authority under the SOIP to provide greater incentive to officers and key employees of Brinker International, Inc. (the "Company") and its affiliates to achieve the highest level of individual performance and to encourage such officers or key employees to meet or exceed specified performance goals in order to contribute to the overall success of the Company.

The Plan is in all respects subject to the provisions of the SOIP, the terms of which are incorporated herein by reference.

1. Definitions. For purposes of the Plan, the terms listed below are defined as follows:

a. Adjusted Diluted WAS. The term "Adjusted Diluted WAS" means actual diluted weighted average shares prepared in accordance with GAAP and adjusted as set forth in the Appendix.

b. Adjusted Net Income. The term "Adjusted Net Income" means the Company's actual net income prepared in accordance with GAAP and adjusted to exclude items recorded in the Company's "Other Gains and Charges" caption on the consolidated statement of comprehensive income and any other items which are excluded from the Company's net income to determine "Adjusted Net Income" as presented in the quarterly and annual earnings releases.

c. Affiliate. The term "Affiliate" means (i) a subsidiary of the Company or (ii) any entity that is designated by the Committee as a participating employer under the Plan, provided that the Company directly or indirectly owns at least 20% of the combined voting power of the common stock of such entity.

d. Base Year EPS. The term "Base Year EPS" means the Company's actual adjusted diluted earnings per share and is calculated as the Adjusted Net Income (modified for any applicable adjustments set forth in the Appendix) divided by the Adjusted Diluted WAS, each as determined for the most recent Company fiscal year ended prior to the beginning of the Measurement Period.

e. Board. The term "Board" means the Board of Directors of the Company.

f. Cause. The term "Cause" means one or more of the following:

(i) An act of fraud, misappropriation or embezzlement by the Participant in connection with the Company or a Related Company as determined by the affirmative vote of at least a majority of the Board or executive committee thereof;

(ii) Gross mismanagement or gross neglect of the Participant's duties to the Company or a Related Company and its policies, procedures or guidelines as determined by the affirmative vote of at least a majority of the Board or executive committee thereof; or

(iii) Conviction of the Participant by a court of competent jurisdiction of a felony.

g. Change in Control. The term "Change in Control" means:

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

(ii) 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

(iii) the failure at any annual or special meetings of the Company's shareholders held during the three-year period following a "solicitation in opposition" as defined in Rule 14a-6 promulgated under the Exchange Act, of a majority of the persons nominated by the Company in the proxy material mailed to shareholders by the management of the Company to win election to seats on the Board (such majority calculated based upon the total number of persons nominated by the Company failing to win election to seats on the Board divided by the total number of Board members of the Board as of the beginning of such three-year period), 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.

h. CAGR. The term "CAGR" means the three-year compound annual growth rate determined using the formula:

CAGR = (Ending Year EPS /Base Year EPS)^(1/3)-1

In the event that the Measurement Period ends due to a Change in Control, the CAGR calculation shall be modified to account for the shorter time frame.

i. Good Reason. The term "Good Reason" means the satisfaction of all of the following requirements:

(i) One or more of the following facts and circumstances exist: (A) a reduction in the Executive Participant's then current base salary other than a general reduction in base salary that affects all similarly situated executives in substantially the same proportions; (B) a reduction in the Executive Participant's target annual bonus opportunity; (C) a relocation of the principal location at which the Executive Participant is required to provide services by more than fifty (50) miles; (D) the Company's failure to obtain an agreement from any successor to the Company to assume and agree to perform the obligations under the Plan in the same manner and to the same extent that the Company would be required to perform, except where such assumption occurs by operations of law; (E) a material, adverse change in the Executive Participant's title, reporting relationship, authority, duties or responsibilities; or (F) in the case of an Executive Participant who is the Chief Executive Officer of the Company only, a failure of any successor to the Company to nominate the Executive Participant for election by shareholders to the successor company's board of directors; and

(ii) the Executive Participant shall have provided the Company written notice within thirty (30) days of his or her knowledge or reason to know of the existence of any fact or circumstance constituting Good Reason, the Company shall have failed to cure or eliminate such fact(s) or circumstance(s) within thirty (30) days of its receipt of such notice, and the resulting termination of employment must occur within thirty (30) days following expiration of such cure period.

j. Disability. Except as otherwise provided by the Committee, the Participant will be considered to have a "Disability" during the period in which the Participant is unable, by reason of a medically determinable physical or mental impairment, to engage in any substantial gainful activity, which condition is expected to have a duration of not less than 120 days.

k. Ending Year EPS. The term "Ending Year EPS" means the Company's actual adjusted diluted earnings per share and is calculated as the Adjusted Net Income (modified for any applicable adjustments as set forth in the Appendix) divided by the Adjusted Diluted WAS, each as determined as of the end of the Measurement Period.

l. Executive Participant. The term "Executive Participant" means a Participant who is the Chief Executive Officer of the Company or a member of the Brinker Leadership Team at the time an Award is granted to such Participant.

m. Measurement Period. The term "Measurement Period" means a period of three consecutive Company fiscal years, or such other period as the Committee designates in writing prior to granting an Award pursuant to the Plan, beginning on the date described in a Participant's Award; provided, however, that in the event of a Change in Control, the Measurement Period will end on the effective date of the Change in Control.

n. Participant. The term "Participant" means an individual who has been granted an Award under this Plan.

o. Performance Period. The term "Performance Period" means a period of three consecutive Company fiscal years, or such other period as the Committee designates in writing prior to granting an Award pursuant to the Plan, beginning on the date described in a Participant's Award. The Performance Period with respect to an Award will commence at the same time as the corresponding Measurement Period for the Award. The Performance Period and Measurement Period for an Award will run for the same duration unless a Change in Control occurs during the

Performance Period, in which case the Measurement Period, but not the Performance Period, will end as of the effective date of the Change in Control.

p. Performance Share. The term "Performance Share" means the right to receive a share of Stock upon satisfaction of the performance metrics and/or other requirements established by the Committee.

q. Rule of 70. The term "Rule of 70" means that the sum of the Participant's age and the Participant's years of service with the Company or an Affiliate equals or exceeds 70.

r. Code Section 409A. The term "Code Section 409A" means Section 409A of the Internal Revenue Code of 1986, as amended, and all Treasury Regulations and guidance promulgated thereunder.

s. SOIP Definitions. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used but not defined in the Plan will have the meaning set forth in the SOIP.

2. Performance Shares.

a. Awards. A Participant will receive a grant of a target number of Performance Shares determined by the Committee, which will be set forth in the Participant's award letter or other notification (an "Award").

b. Achieved Shares. The number of a Participant's Performance Shares that may be earned under any Award ("Achieved Shares") will be determined at the end of the applicable Measurement Period based on the Company's CAGR over the Measurement Period compared to a target CAGR of 10%, as approved by the Committee. To determine the Achieved Shares that may be earned by a Participant (subject to the other terms and conditions of this Plan), the Participant's target number of Performance Shares is multiplied by the "Distribution Percentage" corresponding to the Company's CAGR at the end of the Measurement Period (with the target CAGR of 10% equating to a 100% Distribution Percentage). The Distribution Percentage associated with attainment of above- or below-target CAGR is determined using linear interpolation between 0.1% CAGR up to 20.0% CAGR (Ex. 15.1% CAGR = 151% Distribution Percentage), as demonstrated in the table below:

Company's CAGR	Distribution Percentage (subject to linear interpolation between the modeled CAGR achievement levels)
<=0.0%	0%
1.0%	10%
10.0%	100%
19.0%	190%
>=20.0%	200%

3. Earning Achieved Shares.

a. General Rule. In order to earn the Achieved Shares under the Plan, a Participant must remain continuously employed by the Company or an Affiliate through the last day of the applicable Performance Period, except as otherwise specifically provided in this Plan. Notwithstanding any provision of the Plan to the contrary, a Participant shall not earn any Achieved Shares following termination of employment.

b. Death or Disability, Notwithstanding Section 3(a), if a Participant terminates employment with the Company and its Affiliates prior to the last day of the Performance Period due to the Participant's death or Disability, the Participant will be deemed to have earned the Achieved Shares determined for the Participant at the end of the Measurement Period pursuant to Section 2, if any.

c. Retirement Before Age 60. Notwithstanding Section 3(a), if a Participant ceases to be employed with the Company and its Affiliates prior to the last day of the Performance Period, and as of the date of the termination the Participant has (i) satisfied the Rule of 70 and (ii) the Participant is at least age 55 but not yet age 60, the Participant will earn, as of the date of termination, a portion of the Achieved Shares determined for the Participant at the end of the Measurement Period pursuant to Section 2, if any, based on the number of complete months that the Participant was employed by the Company or an Affiliate during the Performance Period, divided by the total number of complete months in the Performance Period.

d. Retirement at or After Age 60. Notwithstanding Section 3(a), if a Participant ceases to be employed with the Company and its Affiliates prior to the last day of the Performance Period, and as of the date of the termination the Participant has (i) satisfied the Rule of 70 and is at least age 60, or (ii) the Participant is at least age 65 regardless of satisfaction of the Rule of 70, the Participant will earn, as of the date of termination, all of the Achieved Shares determined for the Participant at the end of the Measurement Period pursuant to Section 2, if any.

e. Involuntary Termination.

(i) *Involuntary Terminations without Cause Not Following a Change in Control*. Notwithstanding Section 3(a), if a Participant is involuntarily terminated for a reason other than for Cause prior to the last day of the Performance Period, the Participant will earn, as of the date of termination from employment, except as otherwise provided below, a portion of the Participant's Achieved Shares determined for the Participant at the end of the Measurement Period pursuant to Section 2, if any, based on the number of complete months that the Participant was employed by the Company or an Affiliate during the Performance Period, divided by the total number of complete months in the Performance Period.

(ii) *Certain Involuntary Terminations without Cause or Terminations (by Executive Participants only) for Good Reason Following a Change in Control*. Notwithstanding Sections 3(a) and 3(e)(i), in the event there has been a Change in Control during the Performance Period and the Awards were not earned as of the effective date of the Change in Control pursuant to Section 3(f), then if a Participant is involuntarily terminated for a reason other than Cause or if an Executive Participant terminates for Good Reason following the Change in Control and prior to the last day of the Performance Period, the Participant will earn, as of the date of termination, all of the Participant's Achieved Shares determined for the Participant at the end of the Measurement Period pursuant to Section 2, if any.

f. Change in Control. Notwithstanding the provisions of Section 3(a), in the event of a Change in Control while the Participant remains in employment, if the Awards are not assumed or replaced with awards of substantially equal value by the acquiring entity in such a Change in Control and/or cease to remain outstanding immediately following the Change in Control, each Participant will earn, as of the effective date of the Change in Control, the Achieved Shares determined for the Participant at the end of the Measurement Period pursuant to Section 2, but in no event less than 100% of the target number of the Participant's Performance Shares. After a Change in Control, references to the "Company" as they relate to this Plan shall refer to the successor entity.

g. Most Favorable Provision Applies. For the avoidance of doubt, if two or more of Sections 3(b) through 3(f) above apply, then the applicable Section that results in the Participant earning the greatest number of Achieved Shares shall control.

4. Forfeiture. Except as otherwise provided in Section 3, if a Participant ceases to be employed by the Company or any Affiliate prior to the last day of the Performance Period, the Participant will immediately forfeit the Performance Shares and all interest in the Award as of the date of the Participant's termination and the Participant will not be entitled to receive any payment with respect to the Performance Shares. Notwithstanding any provision of the Plan to the contrary, the Participant will forfeit any Performance Shares immediately and without notice upon (A) the termination of the Participant's employment for Cause, (B) the Participant's breach of any confidentiality agreement or similar agreement pertaining to the confidentiality and nondisclosure of proprietary information, including but not limited to trade secrets, of the Company or any Affiliate, or (C) the Participant's commission of any act of malfeasance or wrongdoing affecting the Company or any Affiliate. Furthermore, and notwithstanding Section 3, if subsequent to the Participant's termination of employment with the Company or any Affiliate (other than due to a

termination following a Change in Control without Cause or for Good Reason, as applicable) and prior to the end of the Performance Period, the Participant becomes employed by, consults with, and/or participates as an officer, director, employee, independent contractor, adviser, consultant, partner, principal, or shareholder (with more than five percent (5%) equity) with any entity which owns and/or operates (either directly or indirectly) or is engaged, or planning to be engaged (either directly or indirectly) in the ownership and /or operation of any of the "Competitive Restaurants" listed below or successors thereto, then the Participant's Award will be immediately forfeited.

1 Ale House Restaurant
2 Applebee's
3 Beef O'Brady's
4 Bennigan's Tavern
5 BJ's Restaurant and Brewhouse
6 Bonefish Grill
7 BRAVO! Cucina Italiana
8 Brio Tuscan Grille
9 Buca di Beppo
10 Buffalo Wild Wings
11 California Pizza Kitchen
12 Carino's Italian Grill
13 Carraba's Italian Grill
14 Champps Americana
15 Cheddar's Casual Café
16 Cheesecake Factory
17 Chipotle Mexican Grill
18 Chuy's
19 Cracker Barrel
20 Dave & Busters
21 Fogo De Chao
22 Fuddruckers
23 Hooters
24 Houlihans
25 Houston's/Hillstone
26 Il Fornaio Restaurant
27 J Alexanders
28 KFC
29 Landry's Seafood
30 Legal Sea Foods
31 Longhorn Steakhouse
32 McCormick & Schmick's
33 McDonald's
34 Miller's Ale House Restaurant
35 Morton's of Chicago
36 O'Charleys
37 Olive Garden
38 On The Border
39 Outback Steakhouse
40 Palm Restaurant
41 Panera
42 Pappadeaux Seafood Kitchen
43 PF Chang's China Bistro
44 Pizza Hut
45 Red Robin
46 Romano's Macaroni Grill
47 Ruby Tuesday
48 Ruth's Chris Steak House
49 Seasons 52
50 Taco Bell
51 Texas Roadhouse
52 TGI Fridays
53 Uno Chicago Grill
54 Wendy's
55 Yard House

5. Payment of Earned Achieved Awards. Each earned Achieved Share will entitle a Participant to receive one share of Stock (or other consideration of equal value, as determined by the Committee, in the event payment is made following a Change in Control). Subject to Section 6, shares of Stock (or other consideration, as applicable) with respect to earned Achieved Shares will be issued to each such Participant in payment of an Award during the 60-day period

immediately following the conclusion of the applicable Performance Period. The Company will issue a like number of shares of Stock (or other consideration, as applicable) to the Participant, and the Participant will own such shares of Stock (or other consideration, as applicable) free of all restrictions described herein. A Participant will not have the right to designate the taxable year of payment. At no time prior to the end of the Performance Period will any Stock (or other consideration, as applicable) be issued pursuant to an Award.

6. Section 409A.

a. Although the Company does not guarantee the tax treatment of any payments or benefits under the Plan, the intent of the Company is that the payments and benefits under this Plan be exempt from, or comply with, Code Section 409A and to the maximum extent permitted the Plan shall be limited, construed and interpreted in accordance with such intent. In no event whatsoever shall the Company or its Affiliates or their respective officers, directors, employees or agents be liable for any additional tax, interest or penalties that may be imposed on a Participant by Code Section 409A or damages for failing to comply with Code Section 409A.

b. Notwithstanding the foregoing or any other provision of this Plan to the contrary, if at the time of a Participant's "separation from service" (within the meaning of Code Section 409A), the Participant is a "Specified Employee," then the Company will defer the payment of any nonqualified deferred compensation subject to Code Section 409A payable upon separation from service (without any reduction in such payments or benefits ultimately paid or provided to the Participant) until the date that is six (6) months following separation from service or, if earlier, the earliest other date as is permitted under Code Section 409A (and any amounts that otherwise would have been paid during this deferral period will be paid in a lump sum on the day after the expiration of the six (6) month period or such shorter period, if applicable). A Participant will be a "Specified Employee" for purposes of this Plan if, on the date of the Participant's separation from service, the Participant is an individual who is, under the method of determination adopted by the Company designated as, or within the category of employees deemed to be, a "Specified Employee" within the meaning and in accordance with Treasury Regulation Section 1.409A-1(i). The Company shall determine in its sole discretion all matters relating to who is a "Specified Employee" and the application of and effects of the change in such determination.

c. Notwithstanding anything in this Plan or elsewhere to the contrary, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Plan providing for the payment of any amounts or benefits that constitute "non-qualified deferred compensation" within the meaning of Code Section 409A upon or following a termination of a Participant's employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Plan, references to a "termination," "termination of employment" or like terms shall mean "separation from service" and the date of such separation from service shall be the date of termination for purposes of any such payment or benefits.

7. Dividends and Dividend Equivalents. A Participant will have no voting rights or dividend rights with respect to the Performance Shares or any shares of Stock underlying the Performance Shares during the Performance Period. No Participant will be entitled to receive

any cash dividends or dividend equivalents with respect to Performance Shares during the Performance Period. However, at the same time that shares of Stock are issued under Section 5 or Section 6, the Participant (or the Participant's beneficiary determined in accordance with Section 10) will also receive a lump sum cash payment equal to the amount of cash dividends paid by the Company that were declared during the Performance Period on the number of shares of Stock issued to the Participant (or the Participant's beneficiary).

8. Capital Adjustments and Reorganizations. The number of Performance Shares covered by an Award will be subject to equitable adjustment, as determined by the Committee, to reflect any stock dividend, stock split, share combination, separation, reorganization, liquidation or the like, of or by the Company. In the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration as it, in good faith, may determine to be equitable in the circumstances and may require in connection with such substitution the surrender of the Award so replaced.

9. Clawback Provisions. If the Participant is an officer of the Company ("Officer") and the Board, or an appropriate committee thereof, has determined that any fraud, negligence, or intentional misconduct by the Officer was a significant contributing factor to the Company having to restate all or a portion of its financial statement(s), the Board or committee shall take, in its discretion, such action as it deems necessary to remedy the misconduct and prevent its recurrence. In determining what remedies to pursue, the Board or committee will take into account all relevant factors, including whether the restatement was the result of fraud, negligence, or intentional misconduct. The Board will, to the extent permitted by applicable law, in all appropriate cases, require reimbursement of any bonus or incentive compensation paid to the Officer, cause the cancellation of restricted or deferred stock awards and outstanding stock options, and seek reimbursement of any gains realized on the exercise of stock options attributable to such awards, if and to the extent that (a) the amount of incentive compensation was calculated based upon the achievement of certain financial results that were subsequently reduced due to a restatement, (b) the Officer engaged in any fraud or misconduct that caused or contributed to the need for the restatement, and (c) the amount of the bonus or incentive compensation that would have been awarded to the Officer had the financial results been properly reported would have been lower than the amount actually awarded. In addition, the Board may dismiss the Officer, authorize legal action, or take such other action to enforce the Officer's obligations to the Company as it may deem appropriate in view of all the facts surrounding the particular case. The Company will not seek to recover bonuses or other compensation as detailed above paid more than three years prior to the date the applicable restatement is disclosed.

10. Heirs and Successors. This Plan will be binding upon, and will inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business. Subject to the terms of the SOIP, any consideration or other benefits distributable to a deceased Participant under this Plan will be distributed to the beneficiary designated by the Participant in writing filed with the Committee in such form as the Committee will require. If a deceased Participant has failed to designate a beneficiary, or if the designated beneficiary of the deceased Participant dies before the Participant or before complete distribution

of consideration or other benefits due under this Plan, the consideration or other benefits to be distributed under this Plan will be distributed to the legal representative or representatives of the estate of the last to die of the Participant and the beneficiary.

11. Taxes, Transaction Costs and Withholding. A Participant will be solely responsible for the payment of all taxes and transaction costs relating to the granting, vesting/earning and payment of an Award. It will be a condition to the obligation of the Company to issue or transfer shares of Stock or other applicable consideration that the Participant pay to the Company, upon its demand, such amount as may be requested by the Company for the purpose of satisfying its liability to withhold federal, state or local income or other taxes incurred in connection with the Award. If the amount requested is not paid, the Company may refuse to issue or transfer shares of Stock or other applicable consideration to the Participant (or to the Participant's beneficiary).

12. Administration. The authority to interpret and administer the terms and conditions of the Plan will be vested in the Committee, and the Committee will have all powers with respect thereto as it has with respect to the SOIP. Any interpretation of the Plan by the Committee and any decision made by it with respect to the Plan is final and binding.

13. Relation to SOIP. Notwithstanding anything in the Plan to the contrary, the terms of the Plan will be subject to the terms of the SOIP, a copy of which may be obtained from the office of the Secretary of the Company. Any amendment to the SOIP will be deemed to be an amendment to the Plan to the extent that the amendment is applicable hereto.

14. No Employment Contract. Nothing contained in the Plan will (a) confer upon a Participant any right to be employed by or remain employed by the Company or any Affiliate, or (b) limit or affect in any manner the right of the Company or any Affiliate to terminate the employment or adjust the compensation of a Participant.

15. Unfunded Plan. It is the Company's intention that the Plan be unfunded. The Company is not required to set aside any assets for payment of the benefits provided under the Plan, and no Participant will have a security interest in any Award.

16. Governing Law. The interpretation, performance, and enforcement of the Plan will be governed by the laws of the State of Texas, without giving effect to the principles of conflict of laws thereof and all parties, including their successors and assigns, consent to the jurisdiction of the state and federal courts of Texas.

[Remainder of page intentionally left blank.]

Appendix to the Brinker International, Inc. F2018 Performance Share Plan

1) Adjustments to EPS. The calculations of Ending Year EPS and Base Year EPS will reflect the following adjustments.

(a) Accounting and Tax Changes. The Ending Year EPS and Base Year EPS calculations will be adjusted to neutralize any impacts associated with (i) changes in accounting principles pursuant to accounting pronouncements adopted during the Measurement Period and (ii) changes in tax laws and regulations (including, but not limited to, unplanned and/or unanticipated changes in tax rates) taking effect during the Measurement Period.

(b) Performance Plan Share Dilution. Undistributed Performance Shares will be excluded from the Adjusted Diluted WAS calculations.

(c) Compensation Plan Expense. For purposes of the Ending Year EPS and Base Year EPS calculations, the expense related to any performance share plans (including any stock option plans) of the Company (or awards thereunder) which contain performance objectives based on the Company's earnings per share (the "Applicable Performance Share Plans"), and any profit sharing plans of the Company (the "Applicable Profit Sharing Plans"), will be determined as follows: (i) the expense with respect to each Applicable Performance Share Plan will be equal to the planned expense with respect to such plan as of the beginning of each applicable measurement period thereunder; and (ii) the expense with respect to each Applicable Profit Sharing Plan will be equal to the planned expense with respect to such plan for each performance year (or other applicable performance period) thereunder, all as determined by the Company in its sole discretion. Expenses related to any performance share plans of the Company (or awards thereunder) other than the Applicable Performance Share Plans will not be adjusted in the Ending Year EPS or Base Year EPS calculation.

(d) Brand or Business Dispositions. Any profit or loss associated with the disposition or sale of a brand or business will be excluded from the Ending Year EPS calculation. Any related impacts to interest expense, weighted average number of shares, and profit associated with the disposed brand or business will be reflected in Base Year EPS and/or Ending Year EPS to the extent necessary to neutralize the impact of the event in both calculations. Associated disposition costs, including but not limited to transaction, transition, disintegration or restructuring will be excluded from the Ending Year EPS calculation.

(e) Brand or Business Acquisition. All profit or loss associated with the acquired brand or business, including associated changes to interest expense, as reported in the Company's Adjusted Net Income, will be included in the Ending Year EPS calculation. Associated acquisition costs, including but not limited to transaction, transition, integration or restructuring, will be excluded from Ending Year EPS calculation.

(f) Refranchised Restaurants. Any gain or loss from refranchising will be excluded from the Ending Year EPS calculation. Any related impacts to interest expense, weighted average number of shares, and royalties or profit associated with the refranchised restaurants will be reflected in

Base Year EPS and/or Ending Year EPS to the extent necessary to neutralize the impact of the event in both calculations.

(g) Relocation of Brinker International, Inc. Restaurant Support Center. Any impacts associated with relocating the Brinker International, Inc. Restaurant Support Center will be reflected in Base Year EPS and/or Ending Year EPS to the extent necessary to neutralize the impact of the event in both calculations.

(h) Strategic Events. Any unplanned impact of restructurings, acquisitions and divestitures will be adjusted in Base Year EPS and/or Ending Year EPS to the extent necessary to neutralize the impact of the event in both calculations.

(i) External Events. Expenses incurred in connection with extraordinary, non-recurring events (such as natural disasters, terrorist attacks, pandemics, industry-wide food-borne illness, etc.) will be adjusted in Base Year EPS and/or Ending Year EPS to the extent necessary to neutralize the impact of the event in both calculations.

[End of document.]

Exhibit 10(k)

BRINKER INTERNATIONAL, INC.
TERMS OF F2018
STOCK OPTION AWARD

August 31, 2017

Brinker International, Inc. (the “Company”), acting pursuant to Section 2 of the Brinker International, Inc. Stock Option and Incentive Plan (the “Plan”), has granted to you (the “Option Holder”) an option to purchase such number of shares of the common stock of the Company (“Stock”) as specified in your award letter (the “Award”). The Award is in all respects subject to the provisions of the Plan (the terms of which are incorporated herein by reference), these Award terms (“Award Terms”) and your award letter.

1. Definitions. For purposes of this Award, the terms listed below are defined as follows:

(a) Cause. The term “Cause” means one or more of the following:

(i) An act of fraud, misappropriation or embezzlement by the Option Holder in connection with the Company or a Related Company as determined by the affirmative vote of at least a majority of the Board or executive committee thereof;

(ii) Gross mismanagement or gross neglect of the Option Holder’s duties to the Company or a Related Company as determined by the affirmative vote of at least a majority of the Board or executive committee thereof; or

(iii) Conviction of the Option Holder by a court of competent jurisdiction of a felony.

(b) Change in Control. The term “Change in Control” means:

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

(ii) 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

(iii) the failure at any annual or special meetings of the Company’s shareholders held during the three-year period following a “solicitation in opposition” as defined in Rule 14a-6 promulgated under the Exchange Act, of a majority of the persons nominated by the Company in the proxy material mailed to shareholders by the management of the Company to win election to seats on the Board (such majority calculated based upon the total number of persons nominated by the Company failing to win election to seats on the Board divided by the total number of Board members of the Board as of the beginning of such three-year period), 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.

(c) Code Section 409A. The term "Code Section 409A" means Section 409A of the Internal Revenue Code of 1986, as amended, and all Treasury Regulations and guidance promulgated thereunder.

(d) Disability. Except as otherwise provided by the Committee, the Option Holder will be considered to have a "Disability" during the period in which the Option Holder is unable, by reason of a medically determinable physical or mental impairment, to engage in any substantial gainful activity, which condition is expected to have a duration of not less than 120 days.

(e) Executive Option Holder. The term "Executive Option Holder" means an Option Holder who is the Chief Executive Officer of the Company or a member of the Brinker Leadership Team at the time an Award is granted to such Option Holder.

(f) Exercise Price. The term "Exercise Price" means the amount set forth in the award letter associated with the Award, which represents the closing price per share of the Stock on the trading day coinciding with the grant date of the Option (or, if such day is not a trading day, the closing price per share of the Stock on the trading day immediately preceding the Option grant date). The Exercise Price shall never be less than the fair market value of a share of Stock on the grant date of the Option within the meaning of Code Section 409A.

(g) Good Reason. The term "Good Reason" means the satisfaction of all of the following requirements:

(i) One or more of the following facts and circumstances exist: (A) a reduction in the Executive Option Holder's then current base salary other than a general reduction in base salary that affects all similarly situated executives in substantially the same proportions; (B) a reduction in the Executive Option Holder's target annual bonus opportunity; (C) a relocation of the principal location at which the Executive Option Holder is required to provide services by more than fifty (50) miles; (D) the Company's failure to obtain an agreement from any successor to the Company to assume and agree to perform the obligations under this Award in the same manner and to the same extent that the Company would be required to perform, except where such assumption occurs by operations of law; (E) a material, adverse change in the Executive Option Holder's title, reporting relationship, authority, duties or responsibilities; or (F) in the case of an Executive Option Holder who is the Chief Executive Officer of the Company only, a failure of any successor to the Company to nominate the Executive Option Holder for election by shareholders to the successor company's board of directors; and

(ii) the Executive Option Holder shall have provided the Company written notice within thirty (30) days of his or her knowledge or reason to know of the existence of any fact or circumstance constituting Good Reason, the Company shall have failed to cure or eliminate such fact(s) or circumstance(s) within thirty (30) days of its receipt of such notice, and the resulting termination of employment must occur within thirty (30) days following expiration of such cure period.

(h) Rule of 70. The term "Rule of 70" means that the sum of the Option Holder's age and the Option Holder's years of service with the Company or a Related Company equals or exceeds 70.

(i) Plan Definitions. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used but not defined in these Award Terms will have the meaning set forth in the Plan.

2. Grant of Option. The Option Holder has been granted an option (the "Option") to purchase shares of Stock from the Company at the Exercise Price, in the amounts, during the periods and upon the terms and conditions set forth in these Award Terms and in the Option Holder's award letter.

3. Vesting and Exercisability.

(a) Vesting Schedule. The Option will vest in accordance with the following schedule (the "Vesting Period"):

If Option Holder remains continuously in the employ of the Company or a Related Company through the dates below (each a "Vesting Date"):	Then the following portion of the Option will vest on each of the Vesting Dates (each portion referred to as a "Vesting Tranche"):
August 31, 2018	25% of Option
August 31, 2019	Additional 25% of Option
August 31, 2020	Additional 25% of Option
August 31, 2021	Additional 25% of Option

No unvested portion of the Option will vest after the date of the Option Holder's termination of employment, except as specifically provided in these Award Terms. For purposes of these Award Terms, "termination of employment" means the Option Holder ceases to be employed by the Company and all Related Companies.

(b) Death or Disability. Notwithstanding Section 3(a), if an Option Holder terminates employment with the Company and the Related Companies prior to one or more Vesting Dates due to the Option Holder's death or Disability, then the unvested portion of the Option will become fully vested as of the date of such termination.

(c) Retirement. Notwithstanding Section 3(a), if an Option Holder ceases to be employed with the Company and the Related Companies prior to one or more Vesting Dates, and as of the date of the termination the Option Holder (i) has satisfied the Rule of 70 and is at least age 55, or (ii) is at least age 65 regardless of satisfaction of the Rule of 70, then the unvested portion of the Option will become fully vested as of the date of such termination.

(d) Involuntary Termination.

(i) *Involuntary Termination Without Cause Not Following a Change in Control***.** Notwithstanding the provisions of Section 3(a), if the Option Holder is involuntarily terminated for a reason other than for Cause prior to one or more Vesting Dates, the Option Holder will vest, as of the date of termination, in the portion of the Option that was due to vest on the next Vesting Date following the date of termination.

(ii) *Involuntary Termination Without Cause or Termination (by Executive Option Holders only) for Good Reason Following a Change in Control*. Notwithstanding the provisions of Sections 3(a) and 3(d)(i), in the event there has been a Change in Control during the Vesting Period and the Options were not vested in connection with the Change in Control pursuant to Section 3(e), then if an Option Holder is involuntarily terminated following the Change in Control for a reason other than Cause, or if an Executive Option Holder terminates for Good Reason following the Change in Control, the unvested portion of the Option will become fully vested as of the date of such termination**.**

(e) Change in Control. Notwithstanding the provisions of Section 3(a), in the event of a Change in Control, if the Options are not assumed or replaced with awards of substantially equal value by the acquiring entity in such a Change in Control and/or cease to remain outstanding immediately following the Change in Control, the Option Holder's Option will become fully vested as of the date immediately preceding such Change in Control, provided the Option Holder has remained continuously employed by the Company or a Related Company through such date. After a Change in Control, references to the "Company" as they relate to the Option shall refer to the successor entity.

(f) Most Favorable Provision Applies. For the avoidance of doubt, if two or more of Sections 3(a) through 3(e) above apply, then the applicable Section that results in the Option Holder vesting in the greatest portion of the Option shall control.

(g) Exercisability. The vested portion of the Option will be exercisable in whole or in part (but not as to any fractional shares of Stock) at any time prior to the termination of the Option pursuant to Section 4, provided that (i) any requisite approval or consent of any government authority of any kind that has jurisdiction over the exercise of options has been secured, and (ii) the Exercise Price is not greater than the Fair Market Value of a share of Stock on the intended date of exercise. The right to purchase shares of Stock under the Option will be cumulative, and shares not purchased in any year may be purchased in subsequent years, subject to the termination provisions contained herein.

4. Termination of Option. The Option will terminate on the first to occur of:

(a) Expiration Date. Notwithstanding any provision of these Award Terms to the contrary, in no event will the Option be exercisable after 5:00 p.m. Central Time on **August 31, 2025** ("Expiration date").

(b) Termination of Employment. In the case of the Option Holder's termination of employment, the Option will terminate as follows:

(i) Except as provided in Section 4(d), at 5:00 p.m. Central Time on the date that is 90 days following the date of the Option Holder's termination of employment, or upon the Expiration Date, if earlier.

(ii) Notwithstanding Section 4(b)(i), if the Option Holder's employment is involuntarily terminated by the Company or a Related Company for a reason other than for Cause (including, for the avoidance of doubt, following a Change in Control), or if an Executive Option Holder terminates for Good Reason following a Change in Control, at 5:00 p.m. Central Time on the date that is 12 months after the date of the Option Holder's termination of employment, or upon the Expiration Date, if earlier.

(c) Death or Disability. If the Option Holder's termination of employment occurs due to the Option Holder's death or Disability, at 5:00 p.m. Central Time on the date that is 36 months after the date of such termination, or upon the Expiration Date, if earlier. In the case of death, the vested portion of the Option may be exercised by the Option Holder's beneficiary determined in accordance with Section 11 and, in the case of Disability, the vested portion of the Option may be exercised by the Option Holder or the Option Holder's personal representative or attorney-in-fact.

(d) Retirement.

(i) If on the date of the Option Holder's termination of employment (other than due to death or Disability), the Option Holder satisfies the Rule of 70 and the Option Holder is at least age 55 but not yet 60, at 5:00 p.m. Central Time on the date that is 12 months after the date of the Option Holder's termination of employment, or upon the Expiration Date, if earlier.

(ii) If on the date of the Option Holder's termination of employment the Option Holder satisfies the Rule of 70 and the Option Holder is at least age 60, or if the Option Holder is at least age 65 (regardless of satisfaction of the Rule of 70), 5:00 p.m. Central Time on the date that is 36 months after the date of the Option Holder's termination of employment, or upon the Expiration Date, if earlier.

(e) Most Favorable Provision Applies. For the avoidance of doubt, if two or more of Sections 4(b) through 4(d) above apply, then the applicable Section that results in the longest Option exercise period shall control.

(f) Forfeiture. If an Option Holder ceases to be employed by the Company or any Related Company prior to one or more Vesting Dates, the unvested portion of the Award shall be forfeited as of the termination date. Notwithstanding any provision of the Plan or these Award Terms to the contrary, the Option Holder will forfeit the Award (including any vested portion) immediately and without notice upon (A) the termination of the Option Holder's employment for Cause, (B) the Option Holder's breach of any confidentiality agreement or similar agreement pertaining to the confidentiality and nondisclosure of proprietary information, including but not limited to trade secrets, of the Company or any Related Company, or (C) the Option Holder's commission of any act of malfeasance or wrongdoing affecting the Company or any Related Company. Furthermore, if the Option Holder ceases to be an employee of the Company and any Related Company (other than due to a termination following a Change in Control without Cause or for Good Reason, if applicable), and within one year following such date the Option Holder becomes employed by, consults with, and/or participates as an officer, director, employee, independent contractor, adviser, consultant, partner, principal, or shareholder (with more than five percent (5%) equity) with any entity which owns and/or operates (either directly or indirectly) or is engaged, or planning to be engaged (either directly or indirectly) in the ownership and/or operation of any of the "Competitive Restaurants" listed below or any successor thereto, then the Option Holder's Award (including any vested portion) will be immediately forfeited and, to the extent the Option Holder has exercised the Award (in whole or in part), to the extent permissible under applicable law, the Participant shall be required to immediately pay to the Company the amount of gain (determined on a gross basis) on the exercise of the Option.

1 Ale House Restaurant
2 Applebee's
3 Beef O'Brady's
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7 BRAVO! Cucina Italiana
8 Brio Tuscan Grille
9 Buca di Beppo
10 Buffalo Wild Wings
11 California Pizza Kitchen
12 Carino's Italian Grill
13 Carraba's Italian Grill
14 Champps Americana
15 Cheddar's Casual Café
16 Cheesecake Factory
17 Chipotle Mexican Grill
18 Chuy's
19 Cracker Barrell
20 Dave & Busters
21 Fogo De Chao
22 Fuddruckers
23 Hooters
24 Houlihans
25 Houston's/Hillstone
26 Il Fornaio Restaurant
27 J Alexanders
28 KFC
29 Landry's Seafood
30 Legal Sea Foods
31 Longhorn Steakhouse
32 McCormick & Schmick's
33 McDonald's
34 Miller's Ale House Restaurant
35 Morton's of Chicago
36 O'Charleys
37 Olive Garden
38 On The Border
39 Outback Steakhouse
40 Palm Restaurant
41 Panera
42 Pappadeaux Seafood Kitchen
43 PF Chang's China Bistro
44 Pizza Hut
45 Red Robin
46 Romano's Macaroni Grill
47 Ruby Tuesday
48 Ruth's Chris Steak House
49 Seasons 52
50 Taco Bell
51 Texas Roadhouse
52 TGI Fridays
53 Uno Chicago Grill
54 Wendy's
55 Yard House

5. Clawback Provisions. In addition to, and not in limitation of, the restrictions set forth in Section 4(f) above, if the Option Holder is an officer of the Company ("Officer") and the Board, or an appropriate committee thereof, has determined that any fraud, negligence, or intentional misconduct by the Officer was a significant contributing factor to the Company having to restate all or a portion of its financial statement(s), the Board or committee shall take, in its discretion, such action as it deems necessary to remedy the misconduct and prevent its recurrence. In determining what remedies to pursue, the Board or committee will take into account all relevant factors, including whether the restatement was the result of fraud, negligence, or intentional misconduct. The Board will, to the extent permitted by applicable law, in all appropriate cases, require reimbursement of any bonus or incentive compensation paid to the Officer, cause the cancellation of restricted or deferred stock awards and outstanding stock options, and seek reimbursement of any gains realized on the exercise of stock options attributable to such awards, if and to the extent that (a) the amount of incentive compensation was calculated based upon the achievement of certain financial results that were subsequently reduced due to a restatement, (b) the Officer engaged in any fraud or misconduct that caused or contributed to the need for the restatement, and (c) the amount of the bonus or incentive compensation that would have been awarded to the Officer had the financial results been properly reported would have been lower than the amount actually awarded. In addition, the Board may dismiss the Officer, authorize legal action, or take such other action to enforce the Officer's obligations to the Company as it may deem appropriate in view of all the facts surrounding the particular case. The Company will not seek to recover bonuses or other compensation as detailed above paid more than three years prior to the date the applicable restatement is disclosed.

6. Exercise and Payment. The aggregate Exercise Price for shares of Stock purchased upon exercise of the Option must be paid in cash or by check acceptable to the Company or, if the Committee so determines in its sole discretion, the Company may accept payment of the Exercise Price by the surrender to the Company of shares of Stock having an aggregate Fair Market Value equal to the aggregate Exercise Price, or by any other method that is approved by the Committee and permitted by the Plan. As a condition of exercise, the Option Holder will also execute such documents as the Company in its discretion deems necessary to comply with or satisfy the requirements of the Securities Act of 1933, or any other law, as then in effect. Upon receipt of payment and any such documents, the Company will, as expeditiously as possible, deliver to the Option Holder a certificate or certificates for such shares of Stock.

7. Assignability. The Option is not assignable or transferable by the Option Holder except by will or by the laws of descent or distribution. Subject to the foregoing sentence, the Option will inure to the benefit of and be binding upon the successors and assigns of the Option Holder. The Option shall be exercisable, during the lifetime of Option Holder, only by the Option Holder.

8. Capital Adjustments and Reorganizations. The number of shares of Stock covered by the Option, and the Exercise Price thereof, will be subject to equitable adjustment, as determined by the Committee, to reflect any stock dividend, stock split, share combination, separation, reorganization, liquidation or the like, of or by the Company. In the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Option such alternative

consideration as it, in good faith, may determine to be equitable in the circumstances and may require in connection with such substitution the surrender of the Option so replaced.

9. Notice of Disqualifying Disposition. The Option Holder must notify the Company of his or her intent to dispose of any of the shares of Stock purchased pursuant to the Option within two years of the date of the grant of the Option or one year from the date of each exercise of the Option. Promptly after such disposition the Option Holder will notify the Company of the number of shares of Stock disposed of, the dates of acquisition and disposition of such shares and the consideration, if any, received on such disposition. If, in connection with any such disposition, the Company becomes liable for withholding taxes and has no amounts owing the Option Holder with which to discharge its withholding obligation, the Option Holder will provide the Company with the amount needed to discharge the Company's withholding obligation and will indemnify the Company against any penalties it may incur through its inability to apply amounts owing the Option Holder in discharge of its withholding obligation.

10. Incentive Stock Option Qualification. This Option is intended to qualify as an "incentive stock option" under Section 422 of the Code, but to the extent that the Option, or a portion thereof, fails for any reason to meet the requirements of an "incentive stock option", then it shall be treated as a non-qualified Option for all purposes under the Plan, these Award Terms or an award letter; provided, however, that nothing in these Award Terms or an award letter will be interpreted as a representation, guarantee or other undertaking on the part of the Company that the Option is or will be determined to be an "incentive stock option" within such section or any other section of the Internal Revenue Code.

11. Heirs and Successors. These Award Terms will be binding upon, and will inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business. Subject to the terms of the Plan, the Option Holder may designate a beneficiary in writing filed with the Committee in such form as the Committee will require. If a deceased Option Holder has failed to designate a beneficiary, or if the designated beneficiary of the deceased Option Holder dies before the Option Holder, the beneficiary will be deemed to be the legal representative or representatives of the estate of the last to die of the Option Holder and the designated beneficiary.

12. Taxes, Transaction Costs and Withholding. The Option Holder will be solely responsible for the payment of all taxes and transaction costs relating to the granting, vesting, exercise and payment of this Option. It will be a condition to the obligation of the Company to issue or transfer shares of Stock upon exercise of this Option that the Option Holder pay to the Company, upon its demand, such amount as may be requested by the Company for the purpose of satisfying its liability to withhold federal, state or local income or other taxes incurred in connection with the Option, including the exercise thereof. If the amount requested is not paid, the Company may refuse to issue or transfer shares of Stock upon exercise of the Option.

13. Administration. The authority to interpret and administer the terms and conditions of this Award will be vested in the Committee, and the Committee will have all powers with respect

thereto as it has with respect to the Plan. Any interpretation of these Award Terms by the Committee and any decision made by it with respect to these Award Terms is final and binding.

14. Relation to Plan. Notwithstanding anything in these Award Terms to the contrary, these Award Terms are subject to the terms of the Plan, a copy of which may be obtained by the Option Holder from the office of the Secretary of the Company. Any amendment to the Plan will be deemed to be an amendment to these Award Terms to the extent that the amendment is applicable hereto.

15. No Employment Contract. Nothing contained in these Award Terms will (a) confer upon the Option Holder any right to be employed by or remain employed by the Company or any Related Company, or (b) limit or affect in any manner the right of the Company or any Related Company to terminate the employment or adjust the compensation of the Option Holder.

16. Governing Law. The interpretation, performance, and enforcement of these Award Terms will be governed by the laws of the State of Texas, without giving effect to the principles of conflict of laws thereof and all parties, including their successors and assigns, consent to the jurisdiction of the state and federal courts of Texas.

[End of document.]

Exhibit 10(l)

BRINKER INTERNATIONAL, INC.
TERMS OF F2018
RETENTION STOCK UNIT AWARD

______________________ ("Award Date")

Brinker International, Inc. (the "Company"), acting pursuant to Section 3 of the Brinker International, Inc. Stock Option and Incentive Plan (the "Plan"), hereby awards to you (the "Participant") a grant of such number of Retention Stock Units as specified in your award letter (the "Award"). For purposes of the Award, a "Retention Stock Unit" means the right to receive a share of Stock, subject to the satisfaction of all applicable terms and conditions. The Award is in all respects subject to the provisions of the Plan (the terms of which are incorporated herein by reference), these Award terms (the "Award Terms") and your award letter.

1. Definitions. For purposes of the Award, the terms listed below are defined as follows:

a. Cause. The term "Cause" means one or more of the following:

(i) An act of fraud, misappropriation or embezzlement by the Participant in connection with the Company or a Related Company as determined by the affirmative vote of at least a majority of the Board or executive committee thereof;

(ii) Gross mismanagement or gross neglect of the Participant's duties to the Company or a Related Company and its policies, procedures or guidelines as determined by the affirmative vote of at least a majority of the Board or executive committee thereof; or

(iii) Conviction of the Participant by a court of competent jurisdiction of a felony.

b. Change in Control. The term "Change in Control" means:

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

(ii) 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

(iii) the failure at any annual or special meetings of the Company's shareholders held during the three-year period following a "solicitation in opposition" as defined in Rule 14a-6 promulgated under the Exchange Act, of a majority of the persons nominated by the

Company in the proxy material mailed to shareholders by the management of the Company to win election to seats on the Board (such majority calculated based upon the total number of persons nominated by the Company failing to win election to seats on the Board divided by the total number of Board members of the Board as of the beginning of such three-year period), 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.

c. Code Section 409A. The term "Code Section 409A" means Section 409A of the Internal Revenue Code of 1986, as amended, and all Treasury Regulations and guidance promulgated thereunder.

d. Good Reason. The term "Good Reason" means the satisfaction of all of the following requirements:

(i) One or more of the following facts and circumstances exist: (A) a reduction in the Participant's then current base salary other than a general reduction in base salary that affects all similarly situated executives in substantially the same proportions; (B) a reduction in the Participant's target annual bonus opportunity; (C) a relocation of the principal location at which the Participant is required to provide services by more than fifty (50) miles; (D) the Company's failure to obtain an agreement from any successor to the Company to assume and agree to perform the obligations under this Award in the same manner and to the same extent that the Company would be required to perform, except where such assumption occurs by operations of law; (E) a material, adverse change in the Participant's title, reporting relationship, authority, duties or responsibilities; or (F) in the case of a Participant who is the Chief Executive Officer of the Company only, a failure of any successor to the Company to nominate the Participant for election by shareholders to the successor company's board of directors; and

(ii) the Participant shall have provided the Company written notice within thirty (30) days of his or her knowledge or reason to know of the existence of any fact or circumstance constituting Good Reason, the Company shall have failed to cure or eliminate such fact(s) or circumstance(s) within thirty (30) days of its receipt of such notice, and the resulting termination of employment must occur within thirty (30) days following expiration of such cure period.

e. Plan Definitions. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used but not defined in these Award Terms will have the meaning set forth in the Plan.

2. Term of Retention Stock Units. The "Restricted Period" for the Award is the period beginning on the Award Date and ending on the third anniversary of the Award Date. The Participant will have no voting rights with respect to the Retention Stock Units or any shares of Stock underlying the Retention Stock Units until the shares of Stock are issued in settlement of the vested Retention Stock Units.

3. Vesting.

a. General Rule. The Retention Stock Units subject to the Award will become fully vested on the last day of the Restricted Period, provided the Participant has remained continuously employed by the Company or a Related Company through such date, except as otherwise specifically provided in this Award.

b. Involuntary Termination Without Cause or for Good Reason Following a Change in Control. Notwithstanding the provisions of Section 3(a), in the event there has been a Change in Control during the Restricted Period and the Awards were not vested in connection with the Change in Control pursuant to Section 3(c), then if a Participant is involuntarily terminated for a reason other than Cause (and other than due to the Participant's death or disability), or terminates employment for Good Reason, in each case following the Change in Control and prior to the last day of the Restricted Period, all of the Retention Stock Units subject to the Participant's Award will become fully vested as of the date of such termination.

c. Change in Control. Notwithstanding the provisions of Section 3(a), in the event of a Change in Control, if the Awards are not assumed or replaced with awards of substantially equal value by the acquiring entity in such a Change in Control and/or cease to remain outstanding immediately following the Change in Control, all of the Retention Stock Units subject to a Participant's Award will become fully vested as of the date immediately following such Change in Control, provided the Participant has remained continuously employed by the Company or a Related Company through such date. After a Change in Control, references to the "Company" as they relate to the Award shall refer to the successor entity.

4. Forfeiture. Except as otherwise provided in Section 3, if the Participant ceases to be employed prior to the end of the Restricted Period, the Participant will immediately forfeit any Retention Stock Units as of the date of the Participant's termination, and the Participant will not be entitled to any payment with respect to such Retention Stock Units. Notwithstanding any provision of the Plan or these Award Terms to the contrary, the Participant will forfeit any Retention Stock Units (including any vested portion) immediately and without notice upon (A) the termination of the Participant's employment for Cause, (B) the Participant's breach of any confidentiality agreement or similar agreement pertaining to the confidentiality and nondisclosure of proprietary information, including but not limited to trade secrets, of the Company or any Related Company, or (C) the Participant's commission of any act of malfeasance or wrongdoing affecting the Company or any Related Company, and, in each case, to the extent Stock or other applicable consideration has been issued to the Participant in settlement of the Award, to the extent permissible under applicable law, the Participant shall be required to immediately return such consideration to the Company.

5. Payment. Each vested Retention Stock Unit will entitle the Participant to receive one share of Stock (or other consideration of equal value, as determined by the Committee, in the event payment is made following a Change in Control). Subject to Section 6, shares of Stock (or other consideration, as applicable) will be issued to the Participant in full settlement of vested Retention Stock Units during the 60-day period immediately following the date on which such Retention Stock Units first became vested pursuant to Section 3. At no other time prior to the end of the Restricted Period will any Stock (or other consideration, as applicable) be issued for Retention Stock Units pursuant to the Award. After the issuance of Stock (or other consideration, as applicable) to the

Participant, the Participant will own such Stock (or other consideration, as applicable) free of all restrictions described herein. The Participant will not have the right to designate the taxable year of payment.

6. Section 409A.

a. Although the Company does not guarantee the tax treatment of any payments or benefits under this Award, the intent of the Company is that the payments and benefits under this Award be exempt from, or comply with, Code Section 409A and to the maximum extent permitted the Award Terms and the award letter shall be limited, construed and interpreted in accordance with such intent. In no event whatsoever shall the Company, the Related Companies, their affiliates or their respective officers, directors, employees or agents be liable for any additional tax, interest or penalties that may be imposed on a Participant by Code Section 409A or damages for failing to comply with Code Section 409A.

b. Notwithstanding the foregoing or any other provision of this Award to the contrary, if at the time of a Participant's “separation from service” (within the meaning of Code Section 409A), the Participant is a "Specified Employee," then the Company will defer the payment of any nonqualified deferred compensation subject to Code Section 409A payable upon separation from service (without any reduction in such payments or benefits ultimately paid or provided to the Participant) until the date that is six (6) months following separation from service or, if earlier, the earliest other date as is permitted under Code Section 409A (and any amounts that otherwise would have been paid during this deferral period will be paid in a lump sum on the day after the expiration of the six (6) month period or such shorter period, if applicable). A Participant will be a "Specified Employee" for purposes of this Award if, on the date of the Participant's separation from service, the Participant is an individual who is, under the method of determination adopted by the Company designated as, or within the category of employees deemed to be, a "Specified Employee" within the meaning and in accordance with Treasury Regulation Section 1.409A-1(i). The Company shall determine in its sole discretion all matters relating to who is a "Specified Employee" and the application of and effects of the change in such determination.

c. Notwithstanding anything in these Award Terms, the award letter or elsewhere to the contrary, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Award providing for the payment of any amounts or benefits that constitute “non-qualified deferred compensation” within the meaning of Code Section 409A upon or following a termination of a Participant’s employment unless such termination is also a “separation from service” within the meaning of Code Section 409A and, for purposes of any such provision of this Award, references to a “termination,” “termination of employment” or like terms shall mean “separation from service” and the date of such separation from service shall be the date of termination for purposes of any such payment or benefits.

7. Dividends. The Participant will not be entitled to receive any cash dividends or dividend equivalents with respect to the Retention Stock Units before they are settled pursuant to Section 5. However, to the extent that, and at the same time as, shares of Stock are issued under Section 5, the Participant (or the Participant’s beneficiary) will also receive a lump sum cash payment equal to the amount of cash dividends that are paid or declared by the Company during the Restricted Period (but

prior to the date of payment of the Award pursuant to Section 5) on the number of shares of Stock (if any) issued to the Participant (or the Participant's beneficiary).

8. Capital Adjustments and Reorganizations. The number of Retention Stock Units covered by the Award will be subject to equitable adjustment, as determined by the Committee, to reflect any stock dividend, stock split, share combination, separation, reorganization, liquidation or the like, of or by the Company. In the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration as it, in good faith, may determine to be equitable in the circumstances and may require in connection with such substitution the surrender of the Award so replaced.

9. Clawback Provisions. If the Participant is an officer of the Company ("Officer") and the Board, or an appropriate committee thereof, has determined that any fraud, negligence, or intentional misconduct by the Officer was a significant contributing factor to the Company having to restate all or a portion of its financial statement(s), the Board or committee shall take, in its discretion, such action as it deems necessary to remedy the misconduct and prevent its recurrence. In determining what remedies to pursue, the Board or committee will take into account all relevant factors, including whether the restatement was the result of fraud, negligence, or intentional misconduct. The Board will, to the extent permitted by applicable law, in all appropriate cases, require reimbursement of any bonus or incentive compensation paid to the Officer, cause the cancellation of restricted or deferred stock awards and outstanding stock options, and seek reimbursement of any gains realized on the exercise of stock options attributable to such awards, if and to the extent that (a) the amount of incentive compensation was calculated based upon the achievement of certain financial results that were subsequently reduced due to a restatement, (b) the Officer engaged in any fraud or misconduct that caused or contributed to the need for the restatement, and (c) the amount of the bonus or incentive compensation that would have been awarded to the Officer had the financial results been properly reported would have been lower than the amount actually awarded. In addition, the Board may dismiss the Officer, authorize legal action, or take such other action to enforce the Officer's obligations to the Company as it may deem appropriate in view of all the facts surrounding the particular case. The Company will not seek to recover bonuses or other compensation as detailed above paid more than three years prior to the date the applicable restatement is disclosed.

10. Heirs and Successors. This Award will be binding upon, and will inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business. Subject to the terms of the Plan, any benefits distributable to a deceased Participant under this Award will be distributed to the beneficiary designated by the Participant in writing filed with the Committee in such form as the Committee will require. If a deceased Participant has failed to designate a beneficiary, or if the designated beneficiary of the deceased Participant dies before the Participant or before complete distribution of benefits due under this Award, the amounts to be distributed under this Award will be distributed to the legal representative or representatives of the estate of the last to die of the Participant and the beneficiary.

11. Taxes, Transaction Costs and Withholding. The Participant will be solely responsible for the payment of all taxes and transaction costs relating to the granting, vesting and payment of the

Award. It will be a condition to the obligation of the Company to issue or transfer shares of Stock or other applicable consideration that the Participant pay to the Company, upon its demand, such amount as may be requested by the Company for the purpose of satisfying its liability to withhold federal, state or local income or other taxes incurred in connection with the Award. If the amount requested is not paid, the Company may refuse to issue or transfer shares of Stock or other applicable consideration to the Participant (or to the Participant's beneficiary).

12. Administration. The authority to interpret and administer the terms and conditions of this Award will be vested in the Committee, and the Committee will have all powers with respect thereto as it has with respect to the Plan. Any interpretation of these Award Terms by the Committee and any decision made by it with respect to the Award is final and binding.

13. Relation to Plan. Notwithstanding anything in these Award Terms to the contrary, the Award will be subject to the terms of the Plan, a copy of which may be obtained by the Participant from the office of the Secretary of the Company. Any amendment to the Plan will be deemed to be an amendment to these Award Terms to the extent that the amendment is applicable hereto.

14. No Employment Contract. Nothing contained in these Award Terms will (a) confer upon the Participant any right to be employed by or remain employed by the Company or any Related Company, or (b) limit or affect in any manner the right of the Company or any Related Company to terminate the employment or adjust the compensation of the Participant.

15. Governing Law. The interpretation, performance, and enforcement of these Award Terms will be governed by the laws of the State of Texas, without giving effect to the principles of conflict of laws thereof and all parties, including their successors and assigns, consent to the jurisdiction of the state and federal courts of Texas.

[End of document.]

Exhibit 10(m)

BRINKER INTERNATIONAL, INC.
TERMS OF F2018
RESTRICTED STOCK UNIT AWARD

August 31, 2017

Brinker International, Inc. (the “Company”), acting pursuant to Section 3 of the Brinker International, Inc. Stock Option and Incentive Plan (the “Plan”), hereby awards to you (the “Participant”) a grant of such number of Restricted Stock Units as specified in your award letter (the “Award”). For purposes of the Award, a “Restricted Stock Unit” means the right to receive a share of Stock, subject to the satisfaction of all applicable terms and conditions. The Award is in all respects subject to the provisions of the Plan (the terms of which are incorporated herein by reference), these Award terms (the “Award Terms”) and your award letter.

1. Definitions. For purposes of the Award, the terms listed below are defined as follows:

a. Cause. The term “Cause” means one or more of the following:

(i) An act of fraud, misappropriation or embezzlement by the Participant in connection with the Company or a Related Company as determined by the affirmative vote of at least a majority of the Board or executive committee thereof;

(ii) Gross mismanagement or gross neglect of the Participant’s duties to the Company or a Related Company and its policies, procedures or guidelines as determined by the affirmative vote of at least a majority of the Board or executive committee thereof; or

(iii) Conviction of the Participant by a court of competent jurisdiction of a felony.

b. Change in Control. The term “Change in Control” means:

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

(ii) 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

(iii) the failure at any annual or special meetings of the Company’s shareholders held during the three-year period following a “solicitation in opposition” as defined in Rule 14a-6 promulgated under the Exchange Act, of a majority of the persons nominated by the

Company in the proxy material mailed to shareholders by the management of the Company to win election to seats on the Board (such majority calculated based upon the total number of persons nominated by the Company failing to win election to seats on the Board divided by the total number of Board members of the Board as of the beginning of such three-year period), 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.

c. Code Section 409A. The term "Code Section 409A" means Section 409A of the Internal Revenue Code of 1986, as amended, and all Treasury Regulations and guidance promulgated thereunder.

d. Disability. Except as otherwise provided by the Committee, the Participant will be considered to have a "Disability" during the period in which the Participant is unable, by reason of a medically determinable physical or mental impairment, to engage in any substantial gainful activity, which condition is expected to have a duration of not less than 120 days.

e. Executive Participant. The term "Executive Participant" means a Participant who is the Chief Executive Officer of the Company or a member of the Brinker Leadership Team at the time an Award is granted to such Participant.

f. Good Reason. The term "Good Reason" means the satisfaction of all of the following requirements:

(i) One or more of the following facts and circumstances exist: (A) a reduction in the Executive Participant's then current base salary other than a general reduction in base salary that affects all similarly situated executives in substantially the same proportions; (B) a reduction in the Executive Participant's target annual bonus opportunity; (C) a relocation of the principal location at which the Executive Participant is required to provide services by more than fifty (50) miles; (D) the Company's failure to obtain an agreement from any successor to the Company to assume and agree to perform the obligations under this Award in the same manner and to the same extent that the Company would be required to perform, except where such assumption occurs by operations of law; (E) a material, adverse change in the Executive Participant's title, reporting relationship, authority, duties or responsibilities; or (F) in the case of an Executive Participant who is the Chief Executive Officer of the Company only, a failure of any successor to the Company to nominate the Executive Participant for election by shareholders to the successor company's board of directors; and

(ii) the Executive Participant shall have provided the Company written notice within thirty (30) days of his or her knowledge or reason to know of the existence of any fact or circumstance constituting Good Reason, the Company shall have failed to cure or eliminate such fact(s) or circumstance(s) within thirty (30) days of its receipt of such notice, and the resulting termination of employment must occur within thirty (30) days following expiration of such cure period.

g. Rule of 70. The term "Rule of 70" means that the sum of the Participant's age and the Participant's years of service with the Company or a Related Company equals or exceeds 70.

h. Plan Definitions. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used but not defined in these Award Terms will have the meaning set forth in the Plan.

2. Term of Restricted Stock Units. The "Restricted Period" for the Award is the period beginning on **August 31, 2017** (the "Award Date") and ending on **August 31, 2020**. The Participant will have no voting rights with respect to the Restricted Stock Units or any shares of Stock underlying the Restricted Stock Units until the shares of Stock are issued in settlement of the vested Restricted Stock Units.

3. Vesting.

a. General Rule. The Restricted Stock Units subject to the Award will become fully vested on the last day of the Restricted Period, provided the Participant has remained continuously employed by the Company or a Related Company through such date, except as otherwise specifically provided in this Award.

b. Death or Disability. Notwithstanding Section 3(a), if a Participant terminates employment with the Company and the Related Companies prior to the last day of the Restricted Period due to the Participant's death or Disability, then all of the Restricted Stock Units subject to the Participant's Award will become fully vested as of the date of such termination.

c. Retirement Before Age 60. Notwithstanding Section 3(a), if a Participant ceases to be employed with the Company and the Related Companies prior to the last day of the Restricted Period, and as of the date of the termination the Participant (i) has satisfied the Rule of 70 and (ii) is at least age 55 but not yet age 60, the Participant will vest, as of the date of termination, in a pro-rata number of the Restricted Stock Units subject to the Participant's Award based on the number of complete months the Participant was employed by the Company or a Related Company during the Restricted Period, divided by the total number of complete months in the Restricted Period.

d. Retirement At or After Age 60. Notwithstanding Section 3(a), if a Participant ceases to be employed with the Company and the Related Companies prior to the last day of the Restricted Period, and as of the date of the termination the Participant (i) has satisfied the Rule of 70 and is at least age 60, or (ii) is at least age 65 regardless of satisfaction of the Rule of 70, then all of the Restricted Stock Units subject to the Participant's Award will become fully vested as of the date of such termination.

e. Involuntary Termination.

(i) *Involuntary Termination Without Cause Not Following a Change in Control*. Notwithstanding the provisions of Section 3(a), if the Participant is involuntarily terminated for a reason other than for Cause prior to the last day of the Restricted Period, the Participant will vest, as of the date of such termination, in a pro-rata number of the Restricted Stock Units subject to the Participant's Award based on the number of complete months that the Participant was employed by the Company or a Related Company during the Restricted Period, divided by the total number of complete months in the Restricted Period.

(ii) *Involuntary Termination Without Cause or Termination (by Executive Participants only) for Good Reason Following a Change in Control*. Notwithstanding the provisions of Sections 3(a) and 3(e)(i), in the event there has been a Change in Control during the Restricted Period and the Awards were not vested in connection with the Change in Control pursuant to Section 3(f), then if a Participant is involuntarily terminated for a reason other than Cause or if an Executive Participant terminates for Good Reason following the Change in Control and prior to the last day of the Restricted Period, all of the Restricted Stock Units subject to the Participant's Award will become fully vested as of the date of such termination.

f. Change in Control. Notwithstanding the provisions of Section 3(a), in the event of a Change in Control, if the Awards are not assumed or replaced with awards of substantially equal value by the acquiring entity in such a Change in Control and/or cease to remain outstanding immediately following the Change in Control, all of the Restricted Stock Units subject to a Participant's Award will become fully vested as of the date immediately preceding such Change in Control, provided the Participant has remained continuously employed by the Company or a Related Company through such date. After a Change in Control, references to the "Company" as they relate to the Award shall refer to the successor entity.

g. Most Favorable Provision Applies. For the avoidance of doubt, if two or more of Sections 3(a) through 3(f) above apply, then the applicable Section that results in the Participant vesting in the greatest number of Restricted Stock Units shall control.

4. Forfeiture. Except as otherwise provided in Section 3, if the Participant ceases to be employed prior to the end of the Restricted Period, the Participant will immediately forfeit any Restricted Stock Units remaining unvested as of the date of the Participant's termination, and the Participant will not be entitled to any payment with respect to such Restricted Stock Units. Notwithstanding any provision of the Plan or these Award Terms to the contrary, the Participant will forfeit any Restricted Stock Units (including any vested portion) immediately and without notice upon (A) the termination of the Participant's employment for Cause, (B) the Participant's breach of any confidentiality agreement or similar agreement pertaining to the confidentiality and nondisclosure of proprietary information, including but not limited to trade secrets, of the Company or any Related Company, or (C) the Participant's commission of any act of malfeasance or wrongdoing affecting the Company or any Related Company. Furthermore, and notwithstanding Section 3, if subsequent to the Participant's termination of employment with the Company or any Related Company (other than due to a termination following a Change in Control without Cause or for Good Reason, if applicable), and within one year following such date the Participant becomes employed by, consults with, and/or participates as an officer, director, employee, independent contractor, adviser, consultant, partner, principal, or shareholder (with more than five percent (5%) equity) with any entity which owns and/or operates (either directly or indirectly) or is engaged, or planning to be engaged (either directly or indirectly) in the ownership and/or operation of any of the "Competitive Restaurants" listed below or any successor thereto, then the Participant's Award (including any vested portion) will be immediately forfeited and, to the extent Stock or other applicable consideration has been issued to the Participant in settlement of the Award, to the extent permissible under applicable law, the Participant shall be required to immediately return such consideration to the Company.

1 Ale House Restaurant
2 Applebee's
3 Beef O'Brady's
4 Bennigan's Tavern
5 BJ's Restaurant and Brewhouse
6 Bonefish Grill
7 BRAVO! Cucina Italiana
8 Brio Tuscan Grille
9 Buca di Beppo
10 Buffalo Wild Wings
11 California Pizza Kitchen
12 Carino's Italian Grill
13 Carraba's Italian Grill
14 Champps Americana
15 Cheddar's Casual Café
16 Cheesecake Factory
17 Chipotle Mexican Grill
18 Chuy's
19 Cracker Barrel
20 Dave & Busters
21 Fogo De Chao
22 Fuddruckers
23 Hooters
24 Houlihans
25 Houston's/Hillstone
26 Il Fornaio Restaurant
27 J Alexanders
28 KFC
29 Landry's Seafood
30 Legal Sea Foods
31 Longhorn Steakhouse
32 McCormick & Schmick's
33 McDonald's
34 Miller's Ale House Restaurant
35 Morton's of Chicago
36 O'Charleys
37 Olive Garden
38 On The Border
39 Outback Steakhouse
40 Palm Restaurant
41 Panera
42 Pappadeaux Seafood Kitchen
43 PF Chang's China Bistro
44 Pizza Hut
45 Red Robin
46 Romano's Macaroni Grill
47 Ruby Tuesday
48 Ruth's Chris Steak House
49 Seasons 52
50 Taco Bell
51 Texas Roadhouse
52 TGI Fridays
53 Uno Chicago Grill
54 Wendy's
55 Yard House

5. Payment. Each vested Restricted Stock Unit will entitle the Participant to receive one share of Stock (or other consideration of equal value, as determined by the Committee, in the event payment is made following a Change in Control). Subject to Section 6, shares of Stock (or other consideration, as applicable) will be issued to the Participant in full settlement of vested Restricted Stock Units during the 60-day period immediately following the date on which such Restricted Stock Units first became vested pursuant to Section 3. At no other time prior to the end of the Restricted Period will any Stock (or other consideration, as applicable) be issued for Restricted Stock Units pursuant to the Award. After the issuance of Stock (or other consideration, as applicable) to the Participant, the Participant will own such Stock (or other consideration, as applicable) free of all restrictions described herein. The Participant will not have the right to designate the taxable year of payment.

6. Section 409A.

b. Although the Company does not guarantee the tax treatment of any payments or benefits under this Award, the intent of the Company is that the payments and benefits under this Award be exempt from, or comply with, Code Section 409A and to the maximum extent permitted the Award Terms and the award letter shall be limited, construed and interpreted in accordance with such intent. In no event whatsoever shall the Company, the Related Companies, their affiliates or their respective officers, directors, employees or agents be liable for any additional tax, interest or penalties that may be imposed on a Participant by Code Section 409A or damages for failing to comply with Code Section 409A.

c. Notwithstanding the foregoing or any other provision of this Award to the contrary, if at the time of a Participant's “separation from service” (within the meaning of Code Section 409A), the Participant is a "Specified Employee," then the Company will defer the payment of any nonqualified deferred compensation subject to Code Section 409A payable upon separation from service (without any reduction in such payments or benefits ultimately paid or provided to the Participant) until the date that is six (6) months following separation from service or, if earlier, the earliest other date as is permitted under Code Section 409A (and any amounts that otherwise would have been paid during this deferral period will be paid in a lump sum on the day after the expiration of the six (6) month period or such shorter period, if applicable). A Participant will be a "Specified Employee" for purposes of this Award if, on the date of the Participant's separation from service, the Participant is an individual who is, under the method of determination adopted by the Company designated as, or within the category of employees deemed to be, a "Specified Employee" within the meaning and in accordance with Treasury Regulation Section 1.409A-1(i). The Company shall determine in its sole discretion all matters relating to who is a "Specified Employee" and the application of and effects of the change in such determination.

d. Notwithstanding anything in these Award Terms, the award letter or elsewhere to the contrary, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Award providing for the payment of any amounts or benefits that constitute “non-qualified deferred compensation” within the meaning of Code Section 409A upon or following a termination of a Participant’s employment unless such termination is also a “separation from service” within the meaning of Code Section 409A and, for purposes of any such provision of this Award, references to a “termination,” “termination of employment” or like terms shall mean “separation from service” and the date of such separation from service shall be the date of termination for purposes of any such payment or benefits.

7. <u>Dividends</u>. The Participant will not be entitled to receive any cash dividends or dividend equivalents with respect to the Restricted Stock Units before they are settled pursuant to <u>Section 5</u>. However, to the extent that, and at the same time as, shares of Stock are issued under <u>Section 5</u>, the Participant (or the Participant’s beneficiary) will also receive a lump sum cash payment equal to the amount of cash dividends that are paid or declared by the Company during the Restricted Period (but prior to the date of payment of the Award pursuant to <u>Section 5</u>) on the number of shares of Stock (if any) issued to the Participant (or the Participant’s beneficiary).

8. <u>Capital Adjustments and Reorganizations</u>. The number of Restricted Stock Units covered by the Award will be subject to equitable adjustment, as determined by the Committee, to reflect any stock dividend, stock split, share combination, separation, reorganization, liquidation or the like, of or by the Company. In the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration as it, in good faith,

may determine to be equitable in the circumstances and may require in connection with such substitution the surrender of the Award so replaced.

9. Clawback Provisions. If the Participant is an officer of the Company ("Officer") and the Board, or an appropriate committee thereof, has determined that any fraud, negligence, or intentional misconduct by the Officer was a significant contributing factor to the Company having to restate all or a portion of its financial statement(s), the Board or committee shall take, in its discretion, such action as it deems necessary to remedy the misconduct and prevent its recurrence. In determining what remedies to pursue, the Board or committee will take into account all relevant factors, including whether the restatement was the result of fraud, negligence, or intentional misconduct. The Board will, to the extent permitted by applicable law, in all appropriate cases, require reimbursement of any bonus or incentive compensation paid to the Officer, cause the cancellation of restricted or deferred stock awards and outstanding stock options, and seek reimbursement of any gains realized on the exercise of stock options attributable to such awards, if and to the extent that (a) the amount of incentive compensation was calculated based upon the achievement of certain financial results that were subsequently reduced due to a restatement, (b) the Officer engaged in any fraud or misconduct that caused or contributed to the need for the restatement, and (c) the amount of the bonus or incentive compensation that would have been awarded to the Officer had the financial results been properly reported would have been lower than the amount actually awarded. In addition, the Board may dismiss the Officer, authorize legal action, or take such other action to enforce the Officer's obligations to the Company as it may deem appropriate in view of all the facts surrounding the particular case. The Company will not seek to recover bonuses or other compensation as detailed above paid more than three years prior to the date the applicable restatement is disclosed.

10. Heirs and Successors. These Award Terms will be binding upon, and will inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business. Subject to the terms of the Plan, any benefits distributable to a deceased Participant will be distributed to the beneficiary designated by the Participant in writing filed with the Committee in such form as the Committee will require. If a deceased Participant has failed to designate a beneficiary, or if the designated beneficiary of the deceased Participant dies before the Participant or before complete distribution of benefits due under the Plan, the amounts to be distributed under the Plan will be distributed to the legal representative or representatives of the estate of the last to die of the Participant and the beneficiary.

11. Taxes, Transaction Costs and Withholding. The Participant will be solely responsible for the payment of all taxes and transaction costs relating to the granting, vesting and payment of the Award. It will be a condition to the obligation of the Company to issue or transfer shares of Stock or other applicable consideration that the Participant pay to the Company, upon its demand, such amount as may be requested by the Company for the purpose of satisfying its liability to withhold federal, state or local income or other taxes incurred in connection with the Award. If the amount requested is not paid, the Company may refuse to issue or transfer shares of Stock or other applicable consideration to the Participant (or to the Participant's beneficiary).

12. Administration. The authority to interpret and administer the terms and conditions of this Award will be vested in the Committee, and the Committee will have all powers with respect thereto as it has with respect to the Plan. Any interpretation of these Award Terms by the Committee and any decision made by it with respect to the Award is final and binding.

13. Relation to Plan. Notwithstanding anything in these Award Terms to the contrary, the Award will be subject to the terms of the Plan, a copy of which may be obtained by the Participant from the office of the Secretary of the Company. Any amendment to the Plan will be deemed to be an amendment to these Award Terms to the extent that the amendment is applicable hereto.

14. No Employment Contract. Nothing contained in these Award Terms will (a) confer upon the Participant any right to be employed by or remain employed by the Company or any Related Company, or (b) limit or affect in any manner the right of the Company or any Related Company to terminate the employment or adjust the compensation of the Participant.

15. Governing Law. The interpretation, performance, and enforcement of these Award Terms will be governed by the laws of the State of Texas, without giving effect to the principles of conflict of laws thereof and all parties, including their successors and assigns, consent to the jurisdiction of the state and federal courts of Texas.

[End of document.]

Exhibit 10(n)

BRINKER INTERNATIONAL, INC.
TERMS OF
CEO SPECIAL EQUITY AWARD

August 31, 2017 ("Grant Date")

Brinker International, Inc. (the "Company"), acting pursuant to Section 2 of the Brinker International, Inc. Stock Option and Incentive Plan (the "Plan"), has granted to you (the "Option Holder") an option to purchase such number of shares of the common stock of the Company ("Stock") as specified in your award letter (the "Award"). The Award is in all respects subject to the provisions of the Plan (the terms of which are incorporated herein by reference), these Award terms including any appendices hereto ("Award Terms") and your award letter.

1. Definitions. For purposes of this Award, the terms listed below are defined as follows:

(a) 12-Month Rolling EPS. The term "12-Month Rolling EPS" means, as of a given date, the Company's actual adjusted diluted earnings per share for the 12-month period ended on such date and is calculated as the Adjusted Net Income (modified for any applicable adjustments set forth in Appendix 1) divided by the Adjusted Diluted WAS, each as determined for the 12-month period ended on such date by the Company in its sole discretion.

(b) Adjusted Diluted WAS. The term "Adjusted Diluted WAS" means actual diluted weighted average shares prepared in accordance with GAAP and adjusted as set forth in Appendix 1.

(c) Adjusted Net Income. The term "Adjusted Net Income" means the Company's actual net income prepared in accordance with GAAP and adjusted to exclude items recorded in the Company's "Other Gains and Charges" caption on the consolidated statement of comprehensive income and any other items which are excluded from the Company's net income to determine "Adjusted Net Income" as presented in the quarterly and annual earnings releases.

(d) Cause. The term "Cause" has the meaning set forth in the Severance and Change in Control Agreement by and between the Company and the Option Holder, dated as of June 22, 2017 (the "CIC Agreement").

(e) Change in Control. The term "Change in Control" has the meaning set forth in the CIC Agreement.

(f) Code Section 409A. The term "Code Section 409A" means Section 409A of the Internal Revenue Code of 1986, as amended, and all Treasury Regulations and guidance promulgated thereunder.

(g) Disability. The term "Disability" shall mean "Total Disability", as such term is defined in the CIC Agreement.

(h) EPS. The term "EPS" means, as of a given date, the Company's actual adjusted diluted earnings per share as of such date and is calculated as the Adjusted Net Income (modified for any applicable adjustments set forth in Appendix 1) divided by the Adjusted Diluted WAS, each as determined for the most recent Company fiscal year ended prior to such date by the Company in its sole discretion.

(i) Exercise Price. The term "Exercise Price" means the amount set forth in the award letter associated with the Award, which represents the closing price per share of the Stock on the trading day coinciding with the Grant Date (or, if such day is not a trading day, the closing price per share of the Stock on the trading day immediately preceding the Grant Date). The Exercise Price shall never be less than the fair market value of a share of Stock on the Grant Date of the Option within the meaning of Code Section 409A.

(j) Good Reason. The term "Good Reason" has the meaning set forth in the CIC Agreement.

(k) Rule of 70. The term "Rule of 70" means that the sum of the Option Holder's age and the Option Holder's years of service with the Company or a Related Company equals or exceeds 70.

(l) Plan Definitions. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used but not defined in these Award Terms will have the meaning set forth in the Plan.

2. Grant of Option. The Option Holder has been granted an option (the "Option") to purchase shares of Stock from the Company at the Exercise Price, in the amounts, during the periods and upon the terms and conditions set forth in these Award Terms and in the Option Holder's award letter.

3. Vesting and Exercisability.

(a) Vesting Schedule. The Option will vest in accordance with the following schedule (the period starting on the Grant Date and ending on the Vesting Date for each Vesting Tranche, the "Vesting Period"):

If Option Holder remains continuously in the employ of the Company or a Related Company through the applicable dates below and the applicable performance goals set forth below are achieved (each a "Vesting Date"):	Then the following portion of the Option will vest on the applicable Vesting Date (each portion referred to as a "Vesting Tranche"):
On June 30, 2021 but ONLY IF the EPS achieved as of June 30, 2021 is at least $4.40.	50% of Option (the "First Vesting Tranche")
On June 30, 2022 but ONLY IF the EPS achieved as of June 30, 2022 is at least $5.00.	50% of Option (or 100% of Option if no portion of Option vested in the First Vesting Tranche) (the "Second Vesting Tranche")

Notwithstanding any provision herein to the contrary, no unvested portion of the Option will vest after the earlier of (i) June 30, 2022 or (ii) except as specifically provided in these Award Terms, the date of the Option Holder's termination of employment. For purposes of these Award Terms, "termination of employment" means the Option Holder ceases to be employed by the Company and all Related Companies.

(b) Death or Disability. Notwithstanding Section 3(a), if the Option Holder ceases to be employed with the Company and the Related Companies prior to one or more Vesting Dates due to the Option Holder's death or Disability, then the portion of the unvested Option that will become vested as of the date of such termination is equal to the then-unvested portion of the Option multiplied by a fraction, the numerator of which is the 12-Month Rolling EPS determined as of the date of termination and the denominator of which is $5.00.

(c) Voluntary Termination. Notwithstanding Section 3(a), if the Option Holder resigns from employment with the Company and the Related Companies for any reason prior to one or more Vesting Dates (other than for Good Reason following a Change in Control), the unvested portion of the Option will be forfeited as of the Option Holder's termination of employment.

(d) Involuntary Termination.

(i) *Involuntary Termination Without Cause Not Following a Change in Control*. Notwithstanding Section 3(a), if the Option Holder is involuntarily terminated for a reason other than for Cause prior to one or more Vesting Dates, then the following percentage of the unvested Option will become vested at the end of the applicable Vesting Period:

a) If the termination occurs prior to the second annual anniversary of the Grant Date: 0%.

b) If the termination occurs on or after the second annual anniversary of the Grant Date, but prior to the third annual anniversary of the Grant Date:

(1) With respect to the First Vesting Tranche: a percentage determined by dividing the number of days in the Vesting Period for the First Vesting Tranche that the Option Holder was employed by the total number of days in the Vesting Period for the First Vesting Tranche, provided that the EPS target set forth for the First Vesting Tranche ($4.40) is achieved as of the Vesting Date for such tranche. For the avoidance of doubt, if the EPS target set forth for the First Vesting Tranche ($4.40) is not achieved as of the Vesting Date for such tranche, the percentage will be 0%; and

(2) With respect to the Second Vesting Tranche: 0%.

c) If the termination is on or after the third annual anniversary of the Grant Date:

(1) With respect to the First Vesting Tranche: a percentage determined by dividing the number of days in the Vesting Period for the First Vesting Tranche that the Option Holder was employed by the total number of days in the Vesting Period for the First Vesting Tranche, provided that the EPS target set forth for the First Vesting Tranche ($4.40) is achieved as of the Vesting Date for such tranche; and

(2) With respect to the Second Vesting Tranche: a percentage determined by dividing the number of days in the Vesting Period for the Second Vesting Tranche that the Option Holder was employed by the total number of days in the Vesting Period for the Second Vesting Tranche, provided that the EPS target set forth for the Second Vesting Tranche ($5.00) is achieved as of the Vesting Date for such tranche.

(ii) *Involuntary Termination Without Cause or Termination for Good Reason Following a Change in Control*. Notwithstanding Sections 3(a) and 3(d)(i), in the event there has been a Change in Control during the Vesting Period and the Option was not vested in connection with the Change in Control pursuant to Section 3(e), then if the Option Holder is involuntarily terminated following the Change in Control for a reason other than Cause, or if the Option Holder terminates for Good Reason following the Change in Control, in each case prior to one or more Vesting Dates, the unvested portion of the Option will become fully vested as of the date of such termination.

(e) Change in Control. Notwithstanding Section 3(a), in the event of a Change in Control prior to one or more Vesting Dates, if the Option is not assumed or replaced with awards of substantially equal value by the acquiring entity in such a Change in Control and/or ceases to remain outstanding immediately following the Change in Control, the Option Holder's Option will become fully vested as of the date immediately preceding such Change in Control, provided the

Option Holder has remained continuously employed by the Company or a Related Company through such date. After a Change in Control, references to the "Company" as they relate to the Option shall refer to the successor entity.

(f) Most Favorable Provision Applies. For the avoidance of doubt, if two or more of Sections 3(b) through 3(e) above apply, then the applicable Section that results in the Option Holder vesting in the greatest portion of the Option shall control.

(g) Exercisability. The vested portion of the Option will be exercisable in whole or in part (but not as to any fractional shares of Stock) at any time prior to the termination of the Option pursuant to Section 4, provided that (i) any requisite approval or consent of any government authority of any kind that has jurisdiction over the exercise of options has been secured, and (ii) the Exercise Price is not greater than the Fair Market Value of a share of Stock on the intended date of exercise. The right to purchase shares of Stock under the Option will be cumulative, and shares not purchased in any year may be purchased in subsequent years, subject to the termination provisions contained herein.

4. Termination of Option. The Option will terminate on the first to occur of:

(a) Expiration Date. Notwithstanding any provision of these Award Terms to the contrary, in no event will the Option be exercisable after 5:00 p.m. Central Time on **August 31, 2025** ("Expiration date").

(b) Termination of Employment. In the case of the Option Holder's termination of employment, the Option will terminate as follows:

(i) Except as provided in Section 4(b)(ii), 4(c) or 4(d), (A) at 5:00 p.m. Central Time on the date that is 90 days following the date of the Option Holder's termination of employment, or upon the Expiration Date, if earlier, or (B) in the event the Option Holder becomes vested in any portion of the Option pursuant to Section 3(d)(i)(b) or 3(d)(i)(c), at 5:00 p.m. Central Time on the date that is 90 days following the Vesting Date for the Vesting Tranche(s) that vests pursuant to Section 3(d)(i)(b) or 3(d)(i)(c), as applicable, or upon the Expiration Date, if earlier.

(ii) If the Option Holder's employment is involuntarily terminated by the Company or a Related Company for a reason other than Cause, or if the Option Holder terminates for Good Reason, in each case following a Change in Control, at 5:00 p.m. Central Time on the date that is 12 months after the date of the Option Holder's termination of employment, or upon the Expiration Date, if earlier.

(c) Death or Disability. If the Option Holder's termination of employment occurs due to the Option Holder's death or Disability, at 5:00 p.m. Central Time on the date that is 36 months after the date of such termination, or upon the Expiration Date, if earlier. In the case of death, the vested portion of the Option may be exercised by the Option Holder's beneficiary determined in accordance with Section 9 and, in the case of Disability, the vested portion of the Option may be exercised by the Option Holder or the Option Holder's personal representative or attorney-in-fact.

(d) Retirement.

(i) If on the date of the Option Holder's termination of employment (other than due to death or Disability), the Option Holder satisfies the Rule of 70 and the Option Holder is at least age 55 but not yet 60, at 5:00 p.m. Central Time on the date that is 12 months after the date of the Option Holder's termination of employment, or upon the Expiration Date, if earlier.

(ii) If on the date of the Option Holder's termination of employment the Option Holder satisfies the Rule of 70 and the Option Holder is at least age 60, or if the Option Holder is at least age 65 (regardless of satisfaction of the Rule of 70), 5:00 p.m. Central Time on the date that is 36 months after the date of the Option Holder's termination of employment, or upon the Expiration Date, if earlier.

(e) Most Favorable Provision Applies. For the avoidance of doubt, if two or more of Sections 4(b) through 4(d) above apply, then the applicable Section that results in the longest Option exercise period shall control.

(f) Forfeiture. If the Option Holder ceases to be employed by the Company or any Related Company prior to one or more Vesting Dates, the unvested portion of the Award shall be forfeited as of the termination date. Notwithstanding any provision of the Plan or these Award Terms to the contrary, the Option Holder will forfeit the Award (including any vested portion) immediately and without notice upon (A) the termination of the Option Holder's employment for Cause, (B) the Option Holder's breach of any restrictive covenants under the CIC Agreement or any other agreement between the Option Holder and the Company or any Related Company, or (C) the Option Holder's commission of any act of malfeasance or wrongdoing affecting the Company or any Related Company.

5. Clawback Provisions. In addition to, and not in limitation of, the restrictions set forth in Section 4(f) above, if the Board, or an appropriate committee thereof, has determined that any fraud, negligence, or intentional misconduct by the Option Holder was a significant contributing factor to the Company having to restate all or a portion of its financial statement(s), the Board or committee shall take, in its discretion, such action as it deems necessary to remedy the misconduct

and prevent its recurrence. In determining what remedies to pursue, the Board or committee will take into account all relevant factors, including whether the restatement was the result of fraud, negligence, or intentional misconduct. The Board will, to the extent permitted by applicable law, in all appropriate cases, require reimbursement of any bonus or incentive compensation paid to the Option Holder, cause the cancellation of restricted or deferred stock awards and outstanding stock options, and seek reimbursement of any gains realized on the exercise of stock options attributable to such awards, if and to the extent that (a) the amount of incentive compensation was calculated based upon the achievement of certain financial results that were subsequently reduced due to a restatement, (b) the Option Holder engaged in any fraud or misconduct that caused or contributed to the need for the restatement, and (c) the amount of the bonus or incentive compensation that would have been awarded to the Option Holder had the financial results been properly reported would have been lower than the amount actually awarded. In addition, the Board may dismiss the Option Holder, authorize legal action, or take such other action to enforce the Option Holder's obligations to the Company as it may deem appropriate in view of all the facts surrounding the particular case. The Company will not seek to recover bonuses or other compensation as detailed above paid more than three years prior to the date the applicable restatement is disclosed.

6. Exercise and Payment. The aggregate Exercise Price for shares of Stock purchased upon exercise of the Option must be paid in cash or by check acceptable to the Company or, if the Committee so determines in its sole discretion, the Company may accept payment of the Exercise Price by the surrender to the Company of shares of Stock having an aggregate Fair Market Value equal to the aggregate Exercise Price, or by any other method that is approved by the Committee and permitted by the Plan. As a condition of exercise, the Option Holder will also execute such documents as the Company in its discretion deems necessary to comply with or satisfy the requirements of the Securities Act of 1933, or any other law, as then in effect. Upon receipt of payment and any such documents, the Company will, as expeditiously as possible, deliver to the Option Holder a certificate or certificates for such shares of Stock.

7. Assignability. The Option is not assignable or transferable by the Option Holder except by will or by the laws of descent or distribution. Subject to the foregoing sentence, the Option will inure to the benefit of and be binding upon the successors and assigns of the Option Holder. The Option shall be exercisable, during the lifetime of Option Holder, only by the Option Holder.

8. Capital Adjustments and Reorganizations. The number of shares of Stock covered by the Option, and the Exercise Price thereof, will be subject to equitable adjustment, as determined by the Committee, to reflect any stock dividend, stock split, share combination, separation, reorganization, liquidation or the like, of or by the Company. In the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Option such alternative consideration as it, in good faith, may determine to be equitable in the circumstances and may require in connection with such substitution the surrender of the Option so replaced.

9. Heirs and Successors. These Award Terms will be binding upon, and will inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's

assets and business. Subject to the terms of the Plan, the Option Holder may designate a beneficiary in writing filed with the Committee in such form as the Committee will require. If a deceased Option Holder has failed to designate a beneficiary, or if the designated beneficiary of the deceased Option Holder dies before the Option Holder, the beneficiary will be deemed to be the legal representative or representatives of the estate of the last to die of the Option Holder and the designated beneficiary.

10. Taxes, Transaction Costs and Withholding . The Option Holder will be solely responsible for the payment of all taxes and transaction costs relating to the granting, vesting, exercise and payment of this Option. It will be a condition to the obligation of the Company to issue or transfer shares of Stock upon exercise of this Option that the Option Holder pay to the Company, upon its demand, such amount as may be requested by the Company for the purpose of satisfying its liability to withhold federal, state or local income or other taxes incurred in connection with the Option, including the exercise thereof. If the amount requested is not paid, the Company may refuse to issue or transfer shares of Stock upon exercise of the Option.

11. Administration. The authority to interpret and administer the terms and conditions of this Award, including the authority to determine in its absolute discretion whether any performance metric hereunder has been achieved, will be vested in the Committee, and the Committee will have all powers with respect thereto as it has with respect to the Plan. Any interpretation of these Award Terms by the Committee and any decision made by it with respect to these Award Terms is final and binding.

12. Relation to Plan. Notwithstanding anything in these Award Terms to the contrary, these Award Terms are subject to the terms of the Plan, a copy of which may be obtained by the Option Holder from the office of the Secretary of the Company. Any amendment to the Plan will be deemed to be an amendment to these Award Terms to the extent that the amendment is applicable hereto.

13. No Employment Contract. Nothing contained in these Award Terms will (a) confer upon the Option Holder any right to be employed by or remain employed by the Company or any Related Company, or (b) limit or affect in any manner the right of the Company or any Related Company to terminate the employment or adjust the compensation of the Option Holder.

14. Governing Law. The interpretation, performance, and enforcement of these Award Terms will be governed by the laws of the State of Texas, without giving effect to the principles of conflict of laws thereof and all parties, including their successors and assigns, consent to the jurisdiction of the state and federal courts of Texas.

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Appendix 1
to the
Brinker International, Inc. Terms of CEO Special Equity Award

1) Adjustments to EPS. The calculations of EPS and 12-Month Rolling EPS will reflect the following adjustments.

(a) Accounting and Tax Changes. The EPS and 12-Month Rolling EPS calculations will be adjusted to neutralize any impacts associated with (i) changes in accounting principles pursuant to accounting pronouncements adopted during the period to which such calculations apply and (ii) changes in tax laws and regulations (including, but not limited to, unplanned and/or unanticipated changes in tax rates) taking effect during the period to which such calculations apply.

(b) Brand or Business Dispositions. Any profit or loss associated with the disposition or sale of a brand or business will be excluded from the EPS and 12-Month Rolling EPS calculation. Any related impacts to interest expense, weighted average number of shares, and profit associated with the disposed brand or business will be reflected in EPS and/or 12-Month Rolling EPS to the extent necessary to neutralize the impact of the event in both calculations. Associated disposition costs, including but not limited to transaction, transition, disintegration or restructuring will be excluded from the EPS and 12-Month Rolling EPS calculation.

(c) Brand or Business Acquisition. All profit or loss associated with the acquired brand or business, including associated changes to interest expense, as reported in the Company's Adjusted Net Income, will be included in the EPS and 12-Month Rolling EPS calculation. Associated acquisition costs, including but not limited to transaction, transition, integration or restructuring, will be excluded from EPS and 12-Month Rolling EPS calculation.

(d) Refranchised Restaurants. Any gain or loss from refranchising will be excluded from the EPS and 12-Month Rolling EPS calculation. Any related impacts to interest expense, weighted average number of shares, and royalties or profit associated with the refranchised restaurants will be reflected in EPS and/or 12-Month Rolling EPS to the extent necessary to neutralize the impact of the event in both calculations.

The Committee may also, in its discretion, include or exclude items to measure specific objectives, such as losses from discontinued operations, extraordinary gains or losses, the cumulative effect of accounting changes, acquisitions or divestitures, foreign exchange impacts, any unusual non-recurring gain or loss, and other items as the Committee determines to be appropriate.

[End of document.]

EXHIBIT 13

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

	Fiscal Years				
	2017	**2016 (a) (b)**	**2015 (a)**	**2014**	**2013**
Income Statement Data:					
Revenues:					
Company sales	$ 3,062,579	$ 3,166,659	$ 2,904,746	$ 2,823,069	$ 2,766,618
Franchise and other revenues	88,258	90,830	97,532	86,426	83,100
Total revenues	3,150,837	3,257,489	3,002,278	2,909,495	2,849,718
Operating Costs and Expenses:					
Company restaurants (excluding depreciation and amortization)					
Cost of sales	791,321	840,204	775,063	758,028	758,377
Restaurant labor	1,017,945	1,036,005	929,206	905,589	892,413
Restaurant expenses	773,510	762,663	703,334	686,314	658,834
Company restaurant expenses	2,582,776	2,638,872	2,407,603	2,349,931	2,309,624
Depreciation and amortization	156,409	156,368	145,242	136,081	131,481
General and administrative	132,819	127,593	133,467	132,094	134,538
Other gains and charges	22,655	17,180	4,764	49,224	17,300
Total operating costs and expenses	2,894,659	2,940,013	2,691,076	2,667,330	2,592,943
Operating income	256,178	317,476	311,202	242,165	256,775
Interest expense	49,547	32,574	29,006	28,091	29,118
Other, net	(1,877)	(1,485)	(2,081)	(2,214)	(2,658)
Income before provision for income taxes	208,508	286,387	284,277	216,288	230,315
Provision for income taxes	57,685	85,767	89,618	62,249	66,956
Net income	$ 150,823	$ 200,620	$ 194,659	$ 154,039	$ 163,359
Basic net income per share	$ 2.98	$ 3.47	$ 3.09	$ 2.33	$ 2.28
Diluted net income per share	$ 2.94	$ 3.42	$ 3.02	$ 2.26	$ 2.20
Basic weighted average shares outstanding	50,638	57,895	63,072	66,251	71,788
Diluted weighted average shares outstanding	51,250	58,684	64,404	68,152	74,158
Balance Sheet Data:					
Working capital	$ (292,036)	$ (257,209)	$ (233,304)	$ (271,426)	$ (191,796)
Total assets (c)	1,413,700	1,458,450	1,421,450	1,485,612	1,444,762
Long-term obligations (c)	1,460,953	1,248,375	1,091,734	956,408	905,018
Shareholders' (deficit) equity	(493,681)	(225,576)	(90,812)	63,094	149,357
Dividends per share	$ 1.36	$ 1.28	$ 1.12	$ 0.96	$ 0.80
Number of Restaurants Open (End of Year):					
Company-owned	1,003	1,001	888	884	877
Franchise	671	659	741	731	714
Total	1,674	1,660	1,629	1,615	1,591
Revenues of franchisees (d)	$ 1,331,908	$ 1,348,616	$ 1,644,015	$ 1,616,747	$ 1,632,076

(a) We discovered immaterial errors in prior years relating to the accuracy of certain tax accounts. While we concluded that the impact of these errors on our previously-issued consolidated financial statements was not material, we revised our previously-reported consolidated financial statements for the fiscal years ended June 29, 2016 and June 24, 2015. For additional information, see Note 16—Immaterial Correction of Prior Period Financial Statements in the Notes to Consolidated Financial Statements in this Form 10-K.

(b) Fiscal year 2016 consisted of 53 weeks while all other periods presented consisted of 52 weeks.

(c) Debt issuance costs are presented in the balance sheet as a direct deduction from the associated debt liability. Amounts presented for fiscal years prior to fiscal 2017 were reclassified from other assets to long-term debt to conform with the current year's presentation.

(d) Royalty revenues are recognized based on the sales generated and reported to the company by franchisees.

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

GENERAL

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

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

We have a 52/53 week fiscal year ending on the last Wednesday in June. Fiscal years 2017 and 2015, which ended on June 28, 2017 and June 24, 2015, respectively, each contained 52 weeks. Fiscal year 2016 ended on June 29, 2016 and contained 53 weeks. The 53rd week in fiscal 2016 contributed additional revenue of approximately $58.3 million. While certain expenses increased in direct relationship to additional revenue from the 53rd week, other expenses, such as fixed costs, are incurred on a calendar month basis.

OVERVIEW

We are principally engaged in the ownership, operation, development, and franchising of the Chili's Grill & Bar ("Chili's") and Maggiano's Little Italy ("Maggiano's") restaurant brands. At June 28, 2017, we owned, operated, or franchised 1,674 restaurants.

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

Growing sales and traffic continues to be a challenge with increasing competition and heavy discounting in the casual dining industry. Lower oil prices have continued to negatively impact sales in our markets with oil dependent economies. We also believe that casual dining traffic was negatively impacted by lower retail traffic in general, including during the December, 2016 holiday season. U.S. economic growth has been steady in recent years, but wage growth has been slow comparative to the post-recession economic recovery. This wage pressure and increased costs for healthcare has challenged both casual dining restaurant operators and consumers as discretionary income available for restaurant visits has been limited. More consumers are opting to eat at home as the decline in grocery costs relative to casual dining prices allows consumers to save money. Consumers are also taking advantage of discounted fast food options which has placed additional pressure on the casual dining sector. Overall, the industry was softer than we anticipated this year. In response to these economic factors and industry pressures, we have developed both short and long-term strategies that we believe are appropriate for all operating conditions and will provide a solid foundation for future earnings growth.

We continually evaluate our processes and menu at Chili's to identify opportunities where we can improve our service quality and food. We plan to simplify our menu and back of house operations by reducing the number of menu items. We believe this initiative will improve kitchen efficiency and result in meals being delivered hotter and faster to our guests. During fiscal 2017, we upgraded the quality of our chicken crispers to an all-natural chicken and added new flavors such as buffalo bleu cheese crispers and honey chipotle chicken and waffles. We also implemented a new "smash" burger cooking procedure across our burger platform that produces a juicier product and cuts the cooking time nearly in half. We believe that guests are responding favorably to the new products. We were also pleased with the guest preference results from the smokehouse platform added to the menu in fiscal 2017, which features jalapeño cheese sausage, bone-in chicken and our signature baby-back ribs. Additionally, we launched our new line of craft beers in fiscal 2017 featuring regional and national favorites and our Presidente Margarita on tap.

We remain competitive with our value offerings at both lunch and dinner and are committed to offering consistent, quality products at a compelling every day value. We offered a promotional "3 for Me™" platform in January 2017 that allowed guests to combine a salad and mini molten dessert with their choice of fajitas, burgers, smoked chicken or ribs for just $10.00. We will continue to seek opportunities to reinforce value and create interest for the Chili's brand with new and varied offerings to further enhance sales and drive incremental traffic.

During the third quarter of fiscal 2017, we completed a reorganization of the Chili's restaurant operations team and certain departments at the corporate headquarters to better align staffing with our current strategy. This reorganization resulted in pre-tax savings of over $5 million in fiscal 2017. We anticipate pre-tax savings of approximately $12 million on an annualized basis.

The Chili's brand has leveraged technology initiatives to create a digital guest experience that we believe will help us engage our guests more effectively. We have launched a new online ordering system that expands our current capabilities and gives our guests greater control of their to-go experience. Our upgraded Chili's mobile app provides the capability for digital curbside service so that guests can order, pay and notify us of their arrival through the app. We have leveraged our tabletop technology to power our loyalty programs and anticipate that guest loyalty programs will be a significant part of our marketing strategy going forward. We believe guest loyalty programs allow us to drive sales and profits by creating more relevant and customized incentives for our guests.

We believe that improvements at Chili's will have a significant impact on the business; however, our results will also benefit through additional contributions from Maggiano's and our global business. Maggiano's opened two restaurants in fiscal 2017 based on our new prototype, which includes a flexible dining area that may be used for banquets or opened up for general seating. This new prototype allows the brand to enter new markets for which the prior model was not suited, but still accommodate smaller banquets. We introduced a new menu at Maggiano's in the third quarter of fiscal 2017 that includes the addition of Saturday and Sunday brunch, and we believe guests are responding favorably to the new menu and brunch offering. Maggiano's is committed to delivering high quality food and a dining experience in line with this brand's heritage.

Our global Chili's business continues to grow with locations in 30 countries and two territories outside of the United States. Our international franchisees opened 30 new restaurants in fiscal 2017.

RESULTS OF OPERATIONS FOR FISCAL YEARS 2017, 2016, AND 2015

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

	Fiscal Years		
	2017	2016	2015
Revenues:			
Company sales	97.2 %	97.2%	96.8 %
Franchise and other revenues	2.8 %	2.8%	3.2 %
Total revenues	100.0 %	100.0%	100.0 %
Operating Costs and Expenses:			
Company restaurants (excluding depreciation and amortization)			
Cost of sales (a)	25.8 %	26.5%	26.7 %
Restaurant labor (a)	33.2 %	32.7%	32.0 %
Restaurant expenses (a)	25.3 %	24.1%	24.2 %
Company restaurant expenses (a)	84.3 %	83.3%	82.9 %
Depreciation and amortization	5.0 %	4.8%	4.8 %
General and administrative	4.2 %	3.9%	4.4 %
Other gains and charges	0.7 %	0.5%	0.2 %
Total operating costs and expenses	91.9 %	90.3%	89.6 %
Operating income	8.1 %	9.7%	10.4 %
Interest expense	1.6 %	0.9%	1.0 %
Other, net	(0.1)%	0.0%	(0.1)%
Income before provision for income taxes	6.6 %	8.8%	9.5 %
Provision for income taxes	1.8 %	2.6%	3.0 %
Net income	4.8 %	6.2%	6.5 %

(a) As a percentage of company sales.

REVENUES

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

Total revenues for fiscal 2017 decreased to $3,150.8 million, a 3.3% decrease from the $3,257.5 million generated for fiscal 2016 driven primarily by a 3.3% decrease in company sales. The decrease in company sales for fiscal 2017 was primarily due to a decline in comparable restaurant sales as well as one less operating week in fiscal 2017, partially offset by an increase in restaurant capacity (see table below). The 53rd week in fiscal 2016 contributed additional revenue of approximately $58.3 million.

	Fiscal Year Ended June 28, 2017				
	Comparable Sales (1)	Price Increase	Mix Shift (2)	Traffic	Restaurant Capacity (3)
Company-owned	(2.1)%	1.8%	1.6%	(5.5)%	0.4%
Chili's	(2.3)%	1.8%	1.7%	(5.8)%	0.3%
Maggiano's	(0.6)%	2.1%	0.3%	(3.0)%	2.7%
Chili's Franchise[4]	(2.1)%				
U.S.	(1.1)%				
International	(3.7)%				
Chili's Domestic[5]	(2.0)%				
System-wide[6]	(2.1)%				

(1) Comparable restaurant sales includes all restaurants that have been in operation for more than 18 months. Amounts are calculated based on comparable 52 weeks in each fiscal year.
(2) Mix shift is calculated as the year-over-year percentage change in company sales resulting from the change in menu items ordered by guests.
(3) Restaurant capacity is measured by sales weeks. Amounts are calculated based on comparable 52 weeks in each fiscal year.
(4) Revenues generated by franchisees are not included in revenues on the consolidated statements of comprehensive income; however, we generate royalty revenue and advertising fees based on franchisee revenues, where applicable. We believe including franchise comparable restaurant sales provides investors information regarding brand performance that is relevant to current operations and may impact future restaurant development.
(5) Chili's domestic comparable restaurant sales percentages are derived from sales generated by company-owned and franchise operated Chili's restaurants in the United States.
(6) System-wide comparable restaurant sales are derived from sales generated by company-owned Chili's and Maggiano's restaurants in addition to the sales generated at franchise-operated Chili's restaurants.

Chili's company sales decreased 3.7% to $2,653.3 million in fiscal 2017 from $2,754.9 million in fiscal 2016. The decrease was primarily due to a decline in comparable restaurant sales as well as one less operating week in fiscal 2017, partially offset by an increase in restaurant capacity. Chili's comparable restaurant sales decreased 2.3% for fiscal 2017 compared to the prior year. Chili's company-owned restaurant capacity increased 0.3% compared to the prior year due to one net restaurant opening during fiscal 2017.

Maggiano's company sales decreased 0.6% to $409.3 million in fiscal 2017 from $411.8 million in fiscal 2016. The decrease was primarily driven by a decline in comparable restaurant sales as well as one less operating week in fiscal 2017, partially offset by an increase in restaurant capacity. Maggiano's comparable restaurant sales decreased 0.6% for fiscal 2017 compared to the prior year. Maggiano's company-owned restaurant capacity increased 2.7% compared to the prior year due one net restaurant opening during fiscal 2017.

Franchise and other revenues decreased 2.8% to $88.3 million in fiscal 2017 compared to $90.8 million in fiscal 2016 primarily driven by a decrease in royalty revenues due to a decline in domestic and international franchise comparable restaurant sales, partially offset by an increase in gift card related revenues. Our franchisees generated approximately $1,332 million in sales in fiscal 2017.

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

	Fiscal Year Ended June 29, 2016				
	Comparable Sales (1)	Price Increase	Mix Shift (2)	Traffic	Restaurant Capacity (3)
Company-owned	(2.4)%	1.1%	(0.1)%	(3.4)%	12.3%
Chili's[4]	(2.6)%	1.0%	0.1 %	(3.7)%	12.8%
Maggiano's	(1.3)%	1.9%	(1.6)%	(1.6)%	3.6%
Chili's Franchise[5]	(0.7)%				
U.S.	(1.2)%				
International	0.2 %				
Chili's Domestic[6]	(2.2)%				
System-wide[7]	(1.9)%				

(1) Comparable restaurant sales includes all restaurants that have been in operation for more than 18 months. Amounts are calculated based on comparable 52 weeks in each fiscal year.
(2) Mix shift is calculated as the year-over-year percentage change in company sales resulting from the change in menu items ordered by guests.
(3) Restaurant capacity is measured by sales weeks. Amounts are calculated based on comparable 52 weeks in each fiscal year.
(4) Chili's company-owned comparable restaurant sales includes 103 Chili's restaurants acquired from a franchisee in the first quarter of fiscal 2016.
(5) Revenues generated by franchisees are not included in revenues on the consolidated statements of comprehensive income; however, we generate royalty revenue and advertising fees based on franchisee revenues, where applicable. We believe including franchise comparable restaurant sales provides investors information regarding brand performance that is relevant to current operations and may impact future restaurant development.
(6) Chili's domestic comparable restaurant sales percentages are derived from sales generated by company-owned and franchise operated Chili's restaurants in the United States.
(7) System-wide comparable restaurant sales are derived from sales generated by company-owned Chili's and Maggiano's restaurants in addition to the sales generated at franchise-operated Chili's restaurants.

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

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

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

COSTS AND EXPENSES

Cost of sales, as a percent of company sales, decreased 0.7% in fiscal 2017 due to increased menu pricing, favorable commodity pricing primarily related to beef and poultry and favorable menu item mix, partially offset by unfavorable commodity pricing related to avocados. Cost of sales, as a percent of company sales, decreased 0.2% in fiscal 2016 due to increased menu pricing and favorable commodity pricing related to burger meat, seafood and cheese, partially offset by unfavorable menu item mix and commodity pricing primarily related to steak and poultry.

Restaurant labor, as a percent of company sales, increased 0.5% in fiscal 2017 primarily due to higher wage rates and sales deleverage. Restaurant labor, as a percent of company sales, increased 0.7% in fiscal 2016 primarily driven by higher wage rates, partially offset by lower incentive bonus.

Restaurant expenses, as a percent of company sales, increased 1.2% in fiscal 2017 primarily due to higher advertising and marketing related expenses, sales deleverage due to a decline in comparable restaurant sales as well as one less operating week compared to the prior year, and increased workers' compensation insurance expenses. Restaurant expenses, as a percent of company sales, decreased 0.1% in fiscal 2016 primarily driven by leverage related to the additional operating week, decreased advertising and workers' compensation insurance expenses, partially offset by higher repairs and maintenance and rent expenses.

Depreciation and amortization was flat in fiscal 2017 compared to fiscal 2016. Depreciation on asset replacements and new restaurant openings was offset by an increase in fully-depreciated assets and restaurant closures. Depreciation and amortization increased $11.1 million in fiscal 2016 primarily due to depreciation on acquired restaurants, asset replacements, new restaurant openings and investments in the Chili's reimage program, partially offset by an increase in fully-depreciated assets.

General and administrative expenses increased $5.2 million in fiscal 2017 primarily due to higher performance-based compensation and professional fees, partially offset by lower payroll due to reduced headcount and lower stock-based compensation expenses. General and administrative expenses decreased $5.9 million in fiscal 2016 due to lower performance-based compensation, partially offset by the termination of accounting and information technology support fees resulting from the acquisition of 103 Chili's restaurants.

Other gains and charges were $22.7 million in fiscal 2017. We incurred $6.6 million in severance and other benefits related to organizational changes to better align our staffing with the current management strategy and resource needs. Additionally, we recorded restaurant impairment charges of $5.2 million primarily related to the long-lived assets and reacquired franchise rights of ten underperforming Chili's restaurants which will continue to operate. We also recorded restaurant closure charges of $4.1 million primarily related to lease charges and other costs associated with closed restaurants. Furthermore, we incurred $2.7 million of professional fees and severance associated with our information technology restructuring offset by a $2.7 million gain on the sale of property. We also recorded accelerated depreciation charges of $2.0 million related to long-lived assets to be disposed of and lease guarantee charges of $1.1 million related to leases that were assigned to a divested brand. Other charges primarily include $2.4 million of expenses for consulting fees related to a special project.

Other gains and charges were $17.2 million in fiscal 2016. We recorded impairment charges of $10.7 million primarily related to seven underperforming restaurants that either continue to operate or closed in fiscal 2017 and $1.0 million related to a cost method investment. We recorded restaurant closure charges of $3.8 million that primarily consisted of additional lease and other costs associated with closed restaurants. We also incurred $3.3 million in severance and other benefits related to organizational changes. We were a plaintiff in a class action lawsuit against US Foods styled as *In re U.S. Foodservice, Inc. Pricing Litigation*. A settlement agreement was fully executed by all parties in September 2015, and we received approximately $2.0 million during the second quarter of fiscal 2016 in settlement of this litigation. We also received net proceeds of $1.2 million from British Petroleum in the fourth quarter of fiscal 2016 related to the 2010 Gulf of Mexico oil spill judgment. Additionally, we recorded a $2.9 million gain on the sale of several properties and $0.7 million of transaction costs related to the acquisition of Pepper Dining. Other charges primarily included $1.4 million of expenses to reserve for royalties, rents and other outstanding amounts related to a bankrupt franchisee and $1.2 million of professional service fees associated with organizational changes.

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

Interest expense increased $17.0 million in fiscal 2017 resulting from higher borrowing balances. Interest expense increased $3.6 million in fiscal 2016 resulting from higher borrowing balances, partially offset by lower interest rates.

Other, net in fiscal 2017, 2016, and 2015 includes $1.6 million, $1.2 million and $1.8 million, respectively, of sublease income primarily from franchisees as part of the respective sale agreements, as well as other subtenants.

SEGMENT RESULTS

Chili's revenues decreased 3.7% to $2,720.0 million in fiscal 2017 from $2,823.4 million in fiscal 2016. The decrease was primarily due to a decline in comparable restaurant sales as well as one less operating week in fiscal 2017, partially offset by an increase in restaurant capacity. Chili's operating income, as a percent of total revenues, was 11.8% in fiscal 2017 compared to 13.3% in fiscal 2016. The decrease was primarily driven by sales deleverage, higher restaurant labor wage rates and higher advertising and marketing related expenses, partially offset by increased menu pricing and favorable commodity pricing. The decrease in Chili's operating income was also due to costs incurred for severance and other benefits related to organizational changes and restaurant closure charges.

Chili's revenues increased 9.5% to $2,823.4 million in fiscal 2016 from $2,579.0 million in fiscal 2015. The increase was primarily driven by increased restaurant capacity as well as the additional operating week, partially offset by a decline in comparable restaurant sales. Chili's operating income, as a percent of total revenues, was 13.3% in fiscal 2016 compared to 14.5% in fiscal 2015. The decrease was primarily driven by higher restaurant labor wage rates, repairs and maintenance and rent expenses, depreciation related to acquired and new restaurants, and impairment charges for underperforming restaurants, partially offset by leverage related to the additional operating week and decreased advertising expenses. Cost of sales was flat due to increased menu pricing and favorable commodity prices offset by unfavorable mix.

Maggiano's revenues decreased 0.8% to $430.8 million in fiscal 2017 from $434.1 million in fiscal 2016. The decrease was primarily driven by a decline in comparable restaurant sales as well as one less operating week in fiscal 2017, partially offset by an increase in restaurant capacity. Maggiano's operating income, as a percent of total revenues, was 10.7% in fiscal 2017 compared to 10.3% in fiscal 2016. The increase was primarily due to favorable commodity pricing and increased menu pricing, partially offset by sales deleverage, higher workers' compensation insurance expenses, advertising expenses and unfavorable menu item mix. The increase in Maggiano's operating income was also due to an impairment charge in fiscal 2016 for an underperforming restaurant.

Maggiano's revenues increased 2.6% to $434.1 million in fiscal 2016 from $423.3 million in fiscal 2015 primarily driven by an increase in restaurant capacity as well as the additional operating week. Maggiano's operating income, as a percent of total revenues, was 10.3% in fiscal 2016 compared to 10.0% in fiscal 2015. The increase was primarily driven by lower cost of sales related to increased menu pricing and favorable commodity pricing and mix, leverage related to the additional operating week and decreased advertising expenses, partially offset by higher restaurant labor wage rates, repairs and maintenance expense and an impairment charge for an underperforming restaurant.

INCOME TAXES

The effective income tax rate for fiscal 2017 decreased to 27.7% compared to 29.9% in the prior year due to the decline in profit in fiscal 2017 compared to the prior year coupled with no significant change in realized tax credits, most notably the FICA tip credit. The FICA tip credit in fiscal 2017 was consistent with prior year and therefore the decline in profit before taxes resulted in a decrease in the effective tax rate in comparison to fiscal 2016. The resolution of uncertain tax positions resulted in a net reduction in tax expense for fiscal 2017 but to a lesser extent than in fiscal 2016.

The effective income tax rate for fiscal 2016 decreased to 29.9% compared to 31.5% in the prior year due to the impact of tax benefits primarily related to permanent items in fiscal 2016 such as the FICA tax credit and state income taxes, net of Federal benefit. The decrease in the fiscal 2016 effective income tax rate is also attributable to the benefits associated with the release of the valuation allowance for state tax net operating losses and the resolution of certain tax positions.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Cash Flows From Operating Activities

During fiscal 2017, net cash flow provided by operating activities was $312.9 million compared to $394.7 million in the prior year. Cash flow from operations decreased due to the impact of adopting the final IRS tangible property regulations in fiscal 2016 and decreased earnings in the current year, partially offset by an increase due to the prior year impact of the acquisition of Pepper Dining in addition to lower payments related to performance-based compensation liabilities.

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

Cash Flows From Investing Activities

		2017		2016		2015
Net cash used in investing activities (in thousands):						
Payments for property and equipment	$	(102,573)	$	(112,788)	$	(140,262)
Proceeds from sale of assets		3,157		4,256		1,950
Payment for business acquisition, net of cash acquired		—		(105,577)		—
	$	(99,416)	$	(214,109)	$	(138,312)

Net cash used in investing activities for fiscal 2017 decreased to $99.4 million compared to $214.1 million in the prior year primarily due to the acquisition of Pepper Dining for $105.6 million in fiscal 2016. Capital expenditures decreased to $102.6 million for fiscal 2017 compared to $112.8 million for fiscal 2016 primarily due to a decrease in Chili's new restaurant construction, partially offset by the purchase of new beer taps for the new line of craft beers at Chili's.

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

Cash Flows From Financing Activities

		2017		2016		2015
Net cash used in financing activities (in thousands):						
Proceeds from issuance of long-term debt	$	350,000	$	—	$	—
Purchases of treasury stock		(370,877)		(284,905)		(306,255)
Payments on revolving credit facility		(388,000)		(110,000)		(177,000)
Borrowings on revolving credit facility		250,000		256,500		480,750
Payments of dividends		(70,771)		(74,066)		(70,832)
Payments for debt issuance costs		(10,216)		—		(2,501)
Proceeds from issuances of treasury stock		5,621		6,147		16,259
Payments on long-term debt		(3,832)		(3,402)		(189,177)
Excess tax benefits from stock-based compensation		2,223		5,460		15,893
	$	(235,852)	$	(204,266)	$	(232,863)

Net cash used in financing activities for fiscal 2017 increased to $235.9 million compared to $204.3 million in the prior year. During fiscal 2017, we changed our capital structure by increasing leverage through the issuance of long-term debt and using the majority of the proceeds to return capital to shareholders in the form of share repurchases.

In September 2016, we entered into a $300.0 million accelerated share repurchase agreement ("ASR Agreement") with Bank of America, N.A. ("BofA"). The ASR Agreement settled in January 2017. Pursuant to the terms of the ASR Agreement, we paid BofA $300.0 million in cash and received 5.9 million shares of our common stock. We also repurchased approximately 1.6 million additional shares of common stock for a total of 7.5 million shares during fiscal 2017 for a total of $370.9 million. The repurchased shares included shares purchased as part of our share repurchase program and shares repurchased to satisfy team member tax withholding obligations on the vesting of restricted shares.

On September 23, 2016, we completed the private offering of $350.0 million of our 5.0% senior notes due October 2024 (the "2024 Notes"). We received proceeds of $350.0 million prior to debt issuance costs of $6.2 million and utilized the proceeds to fund a $300 million accelerated share repurchase agreement and to repay $50.0 million on the amended $1 billion revolving credit facility. The notes require semi-annual interest payments which began on April 1, 2017.

The indenture for the 2024 Notes contains certain covenants, including, but not limited to, limitations and restrictions on the ability of the Company and its Restricted Subsidiaries (as defined in the indenture) to (i) create liens on Principal Property (as defined in the Indenture), (ii) enter into any Sale and Leaseback Transaction (as defined in the Indenture) with respect to any property, and (iii) merge, consolidate or amalgamate with or into any other person or sell, transfer, assign, lease, convey or otherwise dispose of all or substantially all of their property. These covenants are subject to a number of important conditions, qualifications, exceptions and limitations.

On September 13, 2016, we amended the revolving credit facility to increase the borrowing capacity from $750 million to $1 billion. We capitalized debt issuance costs of $4.0 million associated with the amendment of the revolving credit facility, which is included in other assets in the consolidated balance sheet as of June 28, 2017. During fiscal 2017, net payments of $138.0 million were made on the revolving credit facility. As of June 28, 2017, $392.3 million was outstanding under the revolving credit facility. Subsequent to the end of the fiscal year, an additional $110.0 million was drawn from the $1 billion revolving credit facility.

Under the amended $1 billion revolving credit facility, the maturity date for $890.0 million of the facility was extended from March 12, 2020 to September 12, 2021 and the remaining $110.0 million remains due on March 12, 2020. The amended revolving credit facility bears interest of LIBOR plus an applicable margin, which is a function of our credit rating and debt to cash flow ratio, but is subject to a maximum of LIBOR plus 2.00%. Based on our current credit rating, we are paying interest at a rate of LIBOR plus 1.38% for a total of 2.60%. One month LIBOR at June 28, 2017 was approximately 1.22%. As of June 28, 2017, $607.8 million of credit was available under the revolving credit facility. As of June 28, 2017, we were in compliance with all financial debt covenants.

As of June 28, 2017, our credit rating by Fitch Ratings ("Fitch") and Standard and Poor’s (“S&P”) was BB+ and our Corporate Family Rating by Moody's was Ba1, all with a stable outlook. In August 2016, Fitch downgraded Brinker from BBB- to BB+ with a stable outlook and in September 2016 confirmed the rating. In September 2016, S&P downgraded Brinker's corporate credit rating from BBB- to BB+ with a stable outlook and Moody's downgraded Brinker's Corporate Family Rating from Baa3 to Ba1 with a stable outlook. We anticipated these credit rating downgrades as a result of the change in our capital structure in fiscal 2017. Our goal is to maintain strong free cash flow to support leverage that we believe is appropriate to allow ongoing investment in the business and return of capital to shareholders.

We paid dividends of $70.8 million to common stock shareholders in fiscal 2017 compared to $74.1 million in dividends paid in fiscal 2016. Our Board of Directors approved a 6.3% increase in the quarterly dividend from $0.32 to $0.34 per share effective with the dividend declared in August 2016. We also declared a quarterly dividend of $0.34 per share in May 2017 which was paid subsequent to the end of the fiscal year on June 29, 2017 in the amount of $16.6 million. Subsequent to the end of the fiscal year, our Board of Directors approved an 11.8% increase in the quarterly dividend from $0.34 to $0.38 per share effective with the dividend declared in August 2017.

In August 2016, our Board of Directors authorized a $150.0 million increase to our existing share repurchase program resulting in total authorizations of $4.3 billion. As of June 28, 2017, approximately $115.8 million was available under our share repurchase authorizations. Our stock repurchase plan has been and will be used to return capital to shareholders and to minimize the dilutive impact of stock options and other share-based awards. Repurchased common stock is reflected as an increase in treasury stock within shareholders’ deficit. During fiscal 2017, approximately 225,000 stock options were exercised resulting in cash proceeds of approximately $5.6 million. Subsequent to the end of the fiscal year, our Board of Directors authorized a $250 million increase to our existing share repurchase program, bringing the total amount available for repurchases to approximately $365 million.

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

We repurchased approximately 5.8 million shares of our common stock for $284.9 million during fiscal 2016, including shares purchased as part of our share repurchase program and shares repurchased to satisfy team member tax withholding obligations on the vesting of restricted shares.

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

We paid dividends of $74.1 million to common stock shareholders in fiscal 2016 compared to $70.8 million in dividends paid in fiscal 2015. Our Board of Directors approved a 14.3% increase in the quarterly dividend from $0.28 to $0.32 per share effective with the September 2015 dividend. Additionally, we declared a quarterly dividend late in fiscal 2016 which was paid early in fiscal 2017 on June 30, 2016.

In August 2015, our Board of Directors authorized a $250.0 million increase to our existing share repurchase program resulting in total authorizations of $4.2 billion. As of June 29, 2016, approximately $333.0 million was available under our share repurchase authorizations. Repurchased common stock is reflected as an increase in treasury stock within shareholders’ deficit. During fiscal 2016, approximately 234,000 stock options were exercised resulting in cash proceeds of $6.1 million.

Cash Flow Outlook

We believe that our various sources of capital, including future cash flow from operating activities and availability under our existing credit facility are adequate to finance operations as well as the repayment of current debt obligations. We are not aware of any other event or trend that would potentially affect our liquidity. In the event such a trend develops, we believe that there are sufficient funds available under our credit facility and from our internal cash generating capabilities to adequately manage our ongoing business.We periodically evaluate ways to monetize the value of our owned real estate and should alternatives become available that are more cost effective than our financing options currently available, we will consider execution of those alternatives.

Payments due under our contractual obligations for outstanding indebtedness, purchase obligations as defined by the Securities and Exchange Commission ("SEC"), and the expiration of the credit facility as of June 28, 2017 are as follows:

	Payments Due by Period (in thousands)				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt (a)	$ 1,292,250	$ 250,000	$ —	$ 392,250	$ 650,000
Interest (b)	250,419	45,824	78,647	70,573	55,375
Capital leases	59,419	11,823	14,800	8,722	24,074
Operating leases	606,855	122,598	207,883	146,291	130,083
Purchase obligations (c)	117,698	30,679	48,415	31,660	6,944

	Amount of Revolving Credit Facility Expiration by Period (in thousands)				
	Total Commitment	Less than 1 year	1-3 Years	3-5 Years	More than 5 Years
Revolving credit facility	$ 1,000,000	$ —	$ 110,000	$ 890,000	$ —

(a) Long-term debt consists of principal amounts owed on the revolver, 2.60% notes, 3.88% notes, and 5.00% notes. Obligations under our 2.60% notes, which will mature in May 2018, have been classified as long-term, reflecting our ability to refinance these notes through our existing revolving credit facility. As of June 28, 2017, $607.8 million of credit is available under the revolving credit facility.

(b) Interest consists of remaining interest payments on the 2.60%, 3.88% and 5.00% notes totaling $207.5 million and remaining interest payments on the revolver totaling $42.9 million. The interest rates on the notes are fixed whereas the interest rate on the revolver is variable. We have assumed that the revolver balance remains outstanding at $392.3 million until the maturity date of September 12, 2021 using the interest rate as of June 28, 2017 which was approximately 2.60%.

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

In addition to the amounts shown in the table above, $3.1 million of unrecognized tax benefits have been recorded as liabilities. The timing and amounts of future cash payments related to these liabilities are uncertain.

IMPACT OF INFLATION

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

OFF-BALANCE SHEET ARRANGEMENTS

We have obligations for guarantees on certain lease agreements and letters of credit as disclosed in Note 14 - Commitments and Contingencies, in our consolidated financial statements included in this report. Other than these items, we do not have any off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

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

Stock-Based Compensation

We measure and recognize compensation cost at fair value for all share-based payments. We determine the fair value of our performance shares that contain a market condition using a Monte Carlo simulation model. The Monte Carlo method is a statistical modeling technique that requires highly judgmental assumptions regarding our future operating performance compared to our plan designated peer group in the future. The simulation is based on a probability model and market-based inputs that are used to predict future stock returns. We use the historical operating performance and correlation of stock performance to the S&P 500 composite index of us and our peer group as inputs to the simulation model. These historical returns could differ significantly in the future and as a result, the fair value assigned to the performance shares could vary significantly to the final payout. We believe the Monte Carlo simulation model provides the best evidence of fair value at the grant date and is an appropriate technique for valuing share-based awards. We determine the fair value of our stock option awards using the Black-Scholes option valuation model. The Black-Scholes model requires judgmental assumptions including expected life and stock price volatility. We base our expected life assumptions on historical experience regarding option life. Stock price volatility is calculated based on historical prices and the expected life of the options. We measure and recognize compensation expense for our performance shares granted in fiscal 2017 that contain a company-specific performance condition at the grant date fair value of the awards that are expected to vest based on management's periodic estimates of the number of shares that will ultimately be issued. Management's estimates require highly judgmental assumptions regarding our future operating performance and could result in estimates of compensation expense that vary significantly over the vesting period. Changes in estimates of compensation expense are recognized as an adjustment in the period of the change, as appropriate. We recognize compensation expense for only the portion of share-based awards that are expected to vest. Therefore, we apply estimated forfeiture rates that are derived from our historical forfeitures of similar awards.

Income Taxes

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

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

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

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

Impairment of Long-Lived Assets

We review the carrying amount of property and equipment semi-annually or when events or circumstances indicate that the carrying amount may not be recoverable. The impairment test is a two-step process. Step one includes comparing the operating cash flows of the restaurants over their remaining service life to their carrying value. If the cash flows exceed the carrying value, then the assets are not impaired and no further evaluation is required. If the carrying value of the property and equipment exceeds its cash flows, impairment may exist and performing step two is necessary to determine the impairment loss. If the carrying amount is not recoverable, we record an impairment charge for the excess of the carrying amount over the fair value. We determine fair value based on discounted projected future operating cash flows of the restaurants over their remaining service life using a risk adjusted discount rate that is commensurate with the inherent risk. This process requires the use of estimates and assumptions, which are subject to a high degree of judgment.

Impairment of Goodwill

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

We determine fair value based on a combination of market-based values and discounted projected future operating cash flows of the reporting units using a risk adjusted discount rate that is commensurate with the risk inherent in our current business model. We make assumptions regarding future profits and cash flows, expected growth rates, terminal values and other factors which could significantly impact the fair value calculations. In the event that these assumptions change in the future, we may be required to record impairment charges related to goodwill. The fair value of our reporting units was substantially in excess of the carrying values as of our fiscal 2017 goodwill impairment tests that were performed at the end of the second quarter. No indicators of impairment were identified from the date of our impairment test through the end of fiscal year 2017.

Self-Insurance

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

Gift Card Revenue

Proceeds from the sale of gift cards are recorded as deferred revenue and recognized as revenue when the gift card is redeemed by the holder. Breakage income represents the value associated with the portion of gift cards sold that will most likely never be redeemed. Based on our historical gift card redemption patterns and considering our gift cards have no expiration dates or dormancy fees, we can reasonably estimate the amount of gift card balances for which redemption is remote and record breakage income based on this estimate. We recognize breakage income within the franchise and other revenues caption in the consolidated statements of comprehensive income. We update our breakage rate estimate periodically and, if necessary, adjust the deferred revenue balance accordingly. If actual redemption patterns vary from our estimate, actual gift card breakage income may differ from the amounts recorded. Changing our breakage-rate assumption on unredeemed gift cards by 25 basis points would result in an impact to our consolidated statement of comprehensive income of approximately $6.8 million.

Recent Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This update eliminates step two of the goodwill impairment analysis. Companies will no longer be required to perform a hypothetical purchase price allocation to measure goodwill impairment. Instead, they will measure impairment as the difference between the carrying amount and the fair value of the reporting unit. This update is effective for annual and interim periods for fiscal years beginning after December 15, 2019, which will require us to adopt these provisions in the first quarter of fiscal 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed with measurement dates after January 1, 2017. The update will be applied on a prospective basis. We do not expect the adoption of this guidance to have any impact on our consolidated financial statements as the fair value of our reporting units is substantially in excess of the carrying values.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments (Topic 230). This update provides clarification regarding how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. This update is effective for annual and interim periods for fiscal years beginning after December 15, 2017, which will require us to adopt these provisions in the first quarter of fiscal 2019. Early adoption is permitted for financial statements that have not been previously issued. The update will be applied on a retrospective basis. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements or debt covenants.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting (Topic 718). This update was issued as part of the FASB's simplification initiative and affects all entities that issue share-based payment awards to their employees. The amendments in this update cover such areas as the recognition of excess tax benefits and deficiencies, the classification of those excess tax benefits on the statement of cash flows, an accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification and the classification of those taxes paid on the statement of cash flows. This update is effective for annual and interim periods for fiscal years beginning after December 15, 2016, which will require us to adopt these provisions in the first quarter of fiscal 2018. Adoption of the new guidance will require recognition of excess tax benefits and tax deficiencies in the consolidated statements of comprehensive income on a prospective basis, with a cumulative effect adjustment to retained earnings for any prior year excess tax benefits or tax deficiencies not previously recorded. In addition, this guidance will require reclassification of excess tax benefits from cash flows from financing activities to cash flows from operating activities on the consolidated statements of cash flows. We expect to apply this change on a retrospective basis. Based on our current stock price, we expect the adoption of the new guidance in the first quarter of fiscal 2018 will result in the recognition of a discrete tax expense of approximately $2 million in the provision for income taxes on our fiscal 2018 consolidated statements of comprehensive income. The inclusion of excess tax benefits and deficiencies within our provision for income taxes will increase its volatility as the amount of excess tax benefits or deficiencies from share-based compensation awards depends on our stock price at the date the awards vest. We expect that adoption of the remaining provisions in the update noted above will not have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This update requires a lessee to recognize on the balance sheet a liability to make lease payments and a corresponding right-of-use asset for virtually all leases, other than leases with a term of 12 months or less. The update also requires additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases. This update is effective for annual and interim periods for fiscal years beginning after December 15, 2018, which will require us to adopt these provisions in the first quarter of fiscal 2020. Early adoption is permitted for financial statements that have not been previously issued. This update will be applied on a modified retrospective basis. We anticipate implementing the standard by taking advantage of the practical expedient option. The discounted minimum remaining rental payments will be the starting point for determining the right-of-use asset and lease liability. We had operating leases with remaining rental payments of approximately $606.9 million at the end of fiscal 2017. We expect that adoption of the new guidance will have a material impact on our consolidated balance sheets due to recognition of the right-of-use asset and lease liability related to our current operating leases. The process of evaluating the full impact of the new guidance on our consolidated financial statements and disclosures is ongoing, but we anticipate the initial evaluation of the impact will be completed in fiscal 2018.

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate risk on short-term and long-term financial instruments carrying variable interest rates. The variable rate financial instruments consist of the outstanding borrowings on our revolving credit facility. At June 28, 2017, $392.3 million was outstanding under the revolving credit facility. The impact on our annual results of operations of a one-point interest rate change on the outstanding balance of these variable rate financial instruments as of June 28, 2017 would be approximately $3.9 million.

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

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

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

	Fiscal Years		
	2017	2016	2015
Revenues:			
Company sales	$ 3,062,579	$ 3,166,659	$ 2,904,746
Franchise and other revenues	88,258	90,830	97,532
Total revenues	3,150,837	3,257,489	3,002,278
Operating costs and expenses:			
Company restaurants (excluding depreciation and amortization)			
Cost of sales	791,321	840,204	775,063
Restaurant labor	1,017,945	1,036,005	929,206
Restaurant expenses	773,510	762,663	703,334
Company restaurant expenses	2,582,776	2,638,872	2,407,603
Depreciation and amortization	156,409	156,368	145,242
General and administrative	132,819	127,593	133,467
Other gains and charges	22,655	17,180	4,764
Total operating costs and expenses	2,894,659	2,940,013	2,691,076
Operating income	256,178	317,476	311,202
Interest expense	49,547	32,574	29,006
Other, net	(1,877)	(1,485)	(2,081)
Income before provision for income taxes	208,508	286,387	284,277
Provision for income taxes	57,685	85,767	89,618
Net income	$ 150,823	$ 200,620	$ 194,659
Basic net income per share	$ 2.98	$ 3.47	$ 3.09
Diluted net income per share	$ 2.94	$ 3.42	$ 3.02
Basic weighted average shares outstanding	50,638	57,895	63,072
Diluted weighted average shares outstanding	51,250	58,684	64,404
Other comprehensive loss:			
Foreign currency translation adjustment	$ (327)	$ (2,964)	$ (7,690)
Other comprehensive loss	(327)	(2,964)	(7,690)
Comprehensive income	$ 150,496	$ 197,656	$ 186,969
Dividends per share	$ 1.36	$ 1.28	$ 1.12

See accompanying notes to consolidated financial statements.

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

	June 28, 2017	June 29, 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 9,064	$ 31,446
Accounts receivable, net	44,658	45,612
Inventories	24,997	25,104
Restaurant supplies	46,380	45,455
Prepaid expenses	29,293	30,825
Total current assets	154,392	178,442
Property and Equipment, at Cost:		
Land	149,098	147,626
Buildings and leasehold improvements	1,655,227	1,626,924
Furniture and equipment	713,228	663,472
Construction-in-progress	21,767	23,965
	2,539,320	2,461,987
Less accumulated depreciation and amortization	(1,538,706)	(1,418,835)
Net property and equipment	1,000,614	1,043,152
Other Assets:		
Goodwill	163,953	164,007
Deferred income taxes, net	37,029	14,325
Intangibles, net	27,512	30,225
Other	30,200	28,299
Total other assets	258,694	236,856
Total assets	$ 1,413,700	$ 1,458,450
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current Liabilities:		
Current installments of long-term debt	$ 9,649	$ 3,563
Accounts payable	104,231	95,414
Gift card liability	126,482	122,329
Accrued payroll	70,281	70,999
Other accrued liabilities	121,582	121,324
Income taxes payable	14,203	22,022
Total current liabilities	446,428	435,651
Long-term debt, less current installments	1,319,829	1,110,693
Other liabilities	141,124	137,682
Commitments and Contingencies (Notes 9 and 14)		
Shareholders' Deficit:		
Common stock—250,000,000 authorized shares; $0.10 par value; 176,246,649 shares issued and 48,440,721 shares outstanding at June 28, 2017 and 176,246,649 shares issued and 55,420,656 shares outstanding at June 29, 2016	17,625	17,625
Additional paid-in capital	502,074	495,110
Accumulated other comprehensive loss	(11,921)	(11,594)
Retained earnings	2,627,073	2,545,716
	3,134,851	3,046,857
Less treasury stock, at cost (127,805,928 shares at June 28, 2017 and 120,825,993 shares at June 29, 2016)	(3,628,532)	(3,272,433)
Total shareholders' deficit	(493,681)	(225,576)
Total liabilities and shareholders' deficit	$ 1,413,700	$ 1,458,450

See accompanying notes to consolidated financial statements.

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

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
	Shares	Amount					
Balances at June 25, 2014	64,559	$ 17,625	$ 484,320	$ 2,306,532	$ (2,744,443)	$ (940)	$ 63,094
Correction of error (a)	—	—	—	(10,317)	—	—	(10,317)
Net income (a)	—	—	—	194,659	—	—	194,659
Other comprehensive loss	—	—	—	—	—	(7,690)	(7,690)
Dividends ($1.12 per share)	—	—	—	(71,543)	—	—	(71,543)
Stock-based compensation	—	—	14,989	—	—	—	14,989
Purchases of treasury stock	(5,445)	—	(4,804)	—	(301,451)	—	(306,255)
Issuances of common stock	1,472	—	(20,386)	—	36,645	—	16,259
Excess tax benefit from stock-based compensation	—	—	15,992	—	—	—	15,992
Balances at June 24, 2015	60,586	17,625	490,111	2,419,331	(3,009,249)	(8,630)	(90,812)
Net income (a)	—	—	—	200,620	—	—	200,620
Other comprehensive loss	—	—	—	—	—	(2,964)	(2,964)
Dividends ($1.28 per share)	—	—	—	(74,235)	—	—	(74,235)
Stock-based compensation	—	—	15,207	—	—	—	15,207
Purchases of treasury stock	(5,842)	—	(3,796)	—	(281,109)	—	(284,905)
Issuances of common stock	677	—	(11,778)	—	17,925	—	6,147
Excess tax benefit from stock-based compensation	—	—	5,366	—	—	—	5,366
Balances at June 29, 2016	55,421	17,625	495,110	2,545,716	(3,272,433)	(11,594)	(225,576)
Net income	—	—	—	150,823	—	—	150,823
Other comprehensive loss	—	—	—	—	—	(327)	(327)
Dividends ($1.36 per share)	—	—	—	(69,466)	—	—	(69,466)
Stock-based compensation	—	—	14,453	—	—	—	14,453
Purchases of treasury stock	(7,451)	—	(1,753)	—	(369,124)	—	(370,877)
Issuances of common stock	471	—	(7,404)	—	13,025	—	5,621
Excess tax benefit from stock-based compensation	—	—	1,668	—	—	—	1,668
Balances at June 28, 2017	48,441	$ 17,625	$ 502,074	$ 2,627,073	$ (3,628,532)	$ (11,921)	$ (493,681)

(a) We discovered immaterial errors in prior years relating to the accuracy of certain tax accounts. While we concluded that the impact of these errors on our previously-issued consolidated financial statements was not material, we revised our previously-reported consolidated financial statements for the fiscal years ended June 29, 2016 and June 24, 2015. The revisions to the consolidated statements of shareholder's (deficit) equity include a $10.3 million decrease to retained earnings at the beginning of fiscal 2015 and decreases to net income of $2.1 million and $0.1 million for fiscal 2015 and fiscal 2016, respectively, for a total reduction of $12.5 million. For additional information, see Note 16—Immaterial Correction of Prior Period Financial Statements.

See accompanying notes to consolidated financial statements.

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

	Fiscal Years		
	2017	**2016**	**2015**
Cash Flows from Operating Activities:			
Net income	$ 150,823	$ 200,620	$ 194,659
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	156,409	156,368	145,242
Stock-based compensation	14,568	15,159	14,802
Deferred income taxes, net	(22,704)	23,902	14,199
Restructure charges and other impairments	14,412	17,445	5,636
Net (gain) loss on disposal of assets	(377)	87	4,523
Undistributed loss (earnings) on equity investments	1	(571)	(368)
Other	3,009	1,918	250
Changes in assets and liabilities:			
Accounts receivable, net	3,487	(3,682)	1,932
Inventories	(62)	11	475
Restaurant supplies	(1,496)	(1,651)	518
Prepaid expenses	(1,694)	(11,479)	3,850
Other assets	308	72	(2,140)
Accounts payable	2,984	(5,783)	1,117
Gift card liability	4,153	6,190	10,348
Accrued payroll	(714)	(17,229)	5,330
Other accrued liabilities	(4,805)	1,026	(38,273)
Current income taxes	(9,915)	9,415	7,260
Other liabilities	4,499	2,882	(749)
Net cash provided by operating activities	312,886	394,700	368,611
Cash Flows from Investing Activities:			
Payments for property and equipment	(102,573)	(112,788)	(140,262)
Proceeds from sale of assets	3,157	4,256	1,950
Payment for business acquisition, net of cash acquired	—	(105,577)	—
Net cash used in investing activities	(99,416)	(214,109)	(138,312)
Cash Flows from Financing Activities:			
Proceeds from issuance of long-term debt	350,000	—	—
Purchases of treasury stock	(370,877)	(284,905)	(306,255)
Payments on revolving credit facility	(388,000)	(110,000)	(177,000)
Borrowings on revolving credit facility	250,000	256,500	480,750
Payments of dividends	(70,771)	(74,066)	(70,832)
Payments for debt issuance costs	(10,216)	—	(2,501)
Proceeds from issuances of treasury stock	5,621	6,147	16,259
Payments on long-term debt	(3,832)	(3,402)	(189,177)
Excess tax benefits from stock-based compensation	2,223	5,460	15,893
Net cash used in financing activities	(235,852)	(204,266)	(232,863)
Net change in cash and cash equivalents	(22,382)	(23,675)	(2,564)
Cash and cash equivalents at beginning of year	31,446	55,121	57,685
Cash and cash equivalents at end of year	$ 9,064	$ 31,446	$ 55,121

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Operations

We are principally engaged in the ownership, operation, development, and franchising of the Chili's Grill & Bar ("Chili's") and Maggiano's Little Italy ("Maggiano's") restaurant brands. At June 28, 2017, we owned, operated, or franchised 1,674 restaurants in the United States and 30 countries and two territories outside of the United States.

(b) Basis of Presentation

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

We have a 52/53 week fiscal year ending on the last Wednesday in June. Fiscal years 2017 and 2015, which ended on June 28, 2017 and June 24, 2015, respectively, each contained 52 weeks. Fiscal year 2016 ended on June 29, 2016 and contained 53 weeks. The estimated impact of the 53rd week in fiscal 2016 was an increase in revenue of approximately $58.3 million. While certain expenses increased in direct relationship to additional revenue from the 53rd week, other expenses, such as fixed costs, are incurred on a calendar month basis.

In connection with the preparation of the consolidated financial statements for the year ended June 28, 2017, we discovered immaterial errors in prior years relating to the accuracy of certain tax accounts. While we concluded that the impact of these errors on our previously-issued consolidated financial statements was not material, we revised our previously-reported consolidated financial statements for the fiscal years ended June 29, 2016 and June 24, 2015. The revisions included a net increase in the provision for income taxes of $0.1 million and $2.1 million for fiscal 2016 and 2015, respectively. These revisions for fiscal 2016 offset and therefore resulted in no change to earnings per share for fiscal 2016 and a $0.03 decrease for fiscal 2015. The cumulative effect of the changes to retained earnings at the beginning of fiscal 2015, the earliest date presented in the consolidated financial statements for the year ended June 28, 2017, was a reduction of $10.3 million. For additional information, see Note 16 - Immaterial Correction of Prior Period Financial Statements.

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-03, Simplifying the Presentation of Debt Issuance Costs. This update requires that debt issuance costs be presented in the balance sheet as a direct deduction from the associated debt liability. This update was effective for annual and interim periods for fiscal years beginning after December 15, 2015, which required us to adopt these provisions in the first quarter of fiscal 2017. Accordingly, we reclassified the debt issuance cost balances associated with the 2.60% notes and 3.88% notes of $1.0 million and $2.2 million, respectively, from other assets to long-term debt, less current installments on the consolidated balance sheet as of June 29, 2016. The reclassification did not have a material effect on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-05, Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. This update provides guidance to companies that purchase cloud computing services to determine whether or not the arrangement includes a software license and the related accounting treatment. This update was effective for annual and interim periods for fiscal years beginning after December 15, 2015, which required us to adopt these provisions in the first quarter of fiscal 2017. We adopted the guidance prospectively and the adoption did not have any impact on our consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. This update requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. If such conditions or events exist, an entity should disclose that there is substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. Disclosure should include the principal conditions or events that raise substantial doubt, management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations, and management's plans that are intended to mitigate those conditions or events. This update was effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. We adopted the guidance effective June 28, 2017. Accordingly, we performed an evaluation and determined that there are no conditions or events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern through August 28, 2018. The adoption did not have any impact on our consolidated financial statements.

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

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

(c) Use of Estimates

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

(d) Revenue Recognition

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

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

(e) Fair Value Measurements

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

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

(f) Cash and Cash Equivalents

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

(g) Accounts Receivable

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

(h) Inventories

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

(i) Property and Equipment

Property and equipment is stated at cost. Buildings and leasehold improvements are depreciated using the straight-line method over the lesser of the life of the lease, including certain renewal options, or the estimated useful lives of the assets, which range from 5 to 20 years. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years. Routine repair and maintenance costs are expensed when incurred. Major replacements and improvements are capitalized.

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

(j) Definite-lived Intangible Assets

Definite-lived intangible assets primarily include reacquired franchise rights resulting from our acquisitions. Definite-lived intangible assets are amortized using the straight-line method over the estimated useful lives of the assets.

We determine the fair value of reacquired franchise rights based on discounted projected future operating cash flows of the restaurants associated with these franchise rights. We review the carrying amount semi-annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying amount is not recoverable, we record an impairment charge for the excess of the carrying amount over the fair value. Impairment charges are included in other gains and charges in the consolidated statements of comprehensive income.

(k) Operating Leases

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

(l) Advertising

Advertising production costs are expensed in the period when the advertising first takes place. Other advertising costs are expensed as incurred. Advertising costs, net of advertising contributions from franchisees, were $103.8 million, $93.6 million and $94.3 million in fiscal 2017, 2016, and 2015, respectively, and are included in restaurant expenses in the consolidated statements of comprehensive income.

(m) Goodwill

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

Goodwill impairment tests consist of a comparison of each reporting unit's fair value with its carrying value. We determine fair value based on a combination of market-based values and discounted projected future operating cash flows of the restaurant brands using a risk adjusted discount rate that is commensurate with the risk inherent in our current business model. If the carrying value of a reporting unit exceeds its fair value, goodwill is written down to its implied fair value. We determined that there was no goodwill impairment during our annual tests as the fair value of our reporting units was substantially in excess of the carrying values. No indicators of impairment were identified through the end of fiscal year 2017. See Note 5 for additional disclosures related to goodwill.

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

(n) Liquor Licenses

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

Transferable liquor licenses are tested for impairment semi-annually or more frequently if events or circumstances indicate that the asset might be impaired. Impairment charges are recognized based on the excess of carrying value over fair value. We determine fair value based on prices in the open market for licenses in same or similar jurisdictions. Impairment charges are included in other gains and charges in the consolidated statements of comprehensive income.

(o) Sales Taxes

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

(p) Self-Insurance Program

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

(q) Income Taxes

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

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

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

(r) Stock-Based Compensation

We measure and recognize compensation cost at fair value for all share-based payments. We record compensation expense using a graded-vesting schedule or on a straight-line basis, as applicable, over the vesting period, or to the date on which retirement eligibility is achieved, if shorter. We recognize compensation expense for only the portion of share-based awards that are expected to vest. Therefore, we apply estimated forfeiture rates that are derived from our historical forfeitures of similar awards.

Certain employees are eligible to receive stock options, performance shares, restricted stock and restricted stock units, while non-employee members of the Board of Directors are eligible to receive stock options, restricted stock and restricted stock units. Performance shares represent a right to receive shares of common stock upon satisfaction of company performance goals at the end of a three-year cycle. Vesting of performance shares granted in fiscal 2017 is contingent upon meeting company performance goals based on our rate of earnings growth at the end of the three-year period. Compensation expense for the performance shares granted in fiscal 2017 is recorded based on management's periodic estimates of the number of shares that will ultimately be issued and the fair value of the shares as determined by our closing stock price on the date of grant. A cumulative expense adjustment is recognized when that estimate changes. The fair value of our performance shares granted prior to fiscal 2017, which contain a market condition, was determined on the date of grant based on a Monte Carlo simulation model. The fair value of restricted stock and restricted stock units are based on our closing stock price on the date of grant.

Stock-based compensation expense totaled approximately $14.5 million, $15.2 million and $15.0 million for fiscal 2017, 2016 and 2015, respectively. The total income tax benefit recognized in the consolidated statements of comprehensive income related to stock-based compensation expense was approximately $5.7 million, $5.8 million and $5.5 million during fiscal 2017, 2016 and 2015, respectively.

The weighted average fair values of option grants were $9.30, $10.48 and $11.72 during fiscal 2017, 2016 and 2015, respectively. The fair value of stock options is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2017	2016	2015
Expected volatility	25.5%	27.5%	31.0%
Risk-free interest rate	1.3%	1.5%	1.6%
Expected lives	5 years	5 years	5 years
Dividend yield	2.6%	2.4%	2.2%

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

(s) Preferred Stock

Our Board of Directors is authorized to provide for the issuance of 1.0 million preferred shares with a par value of $1.00 per share, in one or more series, and to fix the voting rights, liquidation preferences, dividend rates, conversion rights, redemption rights, and terms, including sinking fund provisions, and certain other rights and preferences. As of June 28, 2017, no preferred shares were issued.

(t) Shareholders' Deficit

In August 2016, our Board of Directors authorized a $150.0 million increase to our existing share repurchase program resulting in total authorizations of $4.3 billion. In September 2016, we entered into a $300.0 million accelerated share repurchase agreement ("ASR Agreement") with Bank of America, N.A. ("BofA"). The ASR Agreement settled in January 2017. Pursuant to the terms of the ASR Agreement, we paid BofA $300.0 million in cash and received 5.9 million shares of our common stock. The accelerated share repurchase transaction qualified for equity accounting treatment. Repurchased common stock is reflected as an increase in treasury stock within shareholders' deficit. We also repurchased approximately 1.6 million additional shares of common stock for a total of 7.5 million shares repurchased during fiscal 2017 for $370.9 million. The repurchased shares included shares purchased as part of our share repurchase program and shares repurchased to satisfy team member tax withholding obligations on the vesting of restricted shares. As of June 28, 2017, approximately $115.8 million was available under our share repurchase authorizations. Our stock repurchase plan has been and will be used to return capital to shareholders and to minimize the dilutive impact of stock options and other share-based awards. We evaluate potential share repurchases under our plan based on several factors, including our cash position, share price, operational liquidity, proceeds from divestitures, borrowings, and planned investment and financing needs. Additionally, during fiscal 2017, approximately 225,000 stock options were exercised resulting in cash proceeds of approximately $5.6 million.

During fiscal 2017, we paid dividends of $70.8 million to common stock shareholders, compared to $74.1 million in the prior year. Our Board of Directors approved a 6.3% increase in the quarterly dividend from $0.32 to $0.34 per share effective with the dividend declared in August 2016. We also declared a quarterly dividend of $0.34 per share in May 2017 which was paid subsequent to the end of the year on June 29, 2017 in the amount of $16.6 million. The dividend accrual was included in other accrued liabilities on our consolidated balance sheet as of June 28, 2017.

(u) Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Fiscal 2017, 2016 and 2015 comprehensive income consists of net income and foreign currency translation adjustments. The foreign currency translation adjustment represents the unrealized impact of translating the financial statements of the Canadian restaurants and the Mexico joint venture with CMR, S.A.B. de C.V. from their respective functional currencies to U.S. dollars. This amount is not included in net income and would only be realized upon the sale or upon complete or substantially complete liquidation of the businesses. The accumulated other comprehensive loss is presented on the consolidated balance sheets.

(v) Net Income Per Share

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

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

	2017	2016	2015
Basic weighted average shares outstanding	50,638	57,895	63,072
Dilutive stock options	192	316	569
Dilutive restricted shares	420	473	763
	612	789	1,332
Diluted weighted average shares outstanding	51,250	58,684	64,404
Awards excluded due to anti-dilutive effect on earnings per share	973	550	119

(w) Segment Reporting

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing operating performance. We manage our business on the basis of two operating segments, Chili's and Maggiano's. The brands operate company-owned restaurants principally in the U.S. within the full-service casual dining segment of the industry. The Chili's segment also has company-owned restaurants in Canada and franchised locations in the U.S and 30 countries and two territories outside of the U.S. Additional information about our segments, including financial information, is included in Note 15.

2. ACQUISITION OF CHILI'S RESTAURANTS

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

The excess of the purchase price over the aggregate fair value of net assets acquired was allocated to goodwill. Of the $31.9 million recorded as goodwill, $12.8 million is expected to be deductible for tax purposes. The portion of the purchase price attributable to goodwill represents the benefits expected as a result of the acquisition, including sales and unit growth opportunities. The acquired restaurants generated approximately $259.6 million of revenue for the fifty-three week period ended June 29, 2016, approximately $2.5 million of average annual revenue per restaurant, partially offset by the loss of average annual royalty revenues of approximately $104,000 per restaurant. Pro-forma financial information of the combined entities is not presented due to the immaterial impact of the financial results of the acquired restaurants on our consolidated financial statements.

3. EQUITY METHOD INVESTMENT

We have a joint venture agreement with CMR, S.A.B. de C.V. to develop 50 Chili's restaurants in Mexico. At June 28, 2017, 45 Chili's restaurants were operating in the joint venture. We account for the Mexico joint venture investment under the equity method of accounting and record our share of the net income or loss of the investee within operating income since their operations are similar to our ongoing operations. These amounts have been included in restaurant expense in our consolidated statements of comprehensive income due to the immaterial nature of the amounts. The investment in the joint venture is included in other assets in our consolidated balance sheets.

4. OTHER GAINS AND CHARGES

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

	2017	2016	2015
Severance and other benefits	$ 6,591	$ 3,304	$ 1,182
Restaurant impairment charges	5,190	10,651	2,255
Restaurant closure charges	4,084	3,780	1,736
Information technology restructuring	2,739	—	—
Accelerated depreciation	1,988	—	—
Lease guarantee charges	1,089	—	—
(Gain) loss on the sale of assets, net	(2,659)	(2,858)	1,093
Impairment of investment	—	1,000	—
Acquisition costs	—	700	1,100
Impairment of intangible assets	—	392	645
Litigation	—	(3,191)	(2,753)
Other	3,633	3,402	(494)
	$ 22,655	$ 17,180	$ 4,764

Fiscal 2017

During fiscal 2017, we completed a reorganization of the Chili's restaurant operations team and certain departments at the corporate headquarters to better align our staffing with the current management strategy and resource needs. This employee separation action resulted in severance charges and accelerated stock-based compensation expenses of $6.6 million. All of the severance amounts were paid by the end of fiscal 2017.

We recorded restaurant impairment charges of $5.2 million primarily related to the long-lived assets and reacquired franchise rights of ten underperforming Chili's restaurants which will continue to operate. See Note 10 for fair value disclosures. Additionally, we recorded restaurant closure charges of $4.1 million primarily related to lease charges and other costs associated with closed restaurants.

We incurred $2.7 million of professional fees and severance associated with our information technology restructuring offset by a $2.7 million gain on the sale of property. We also recorded accelerated depreciation charges of $2.0 million related to long-lived assets to be disposed of and lease guarantee charges of $1.1 million related to leases that were assigned to a divested brand. For additional lease guarantee disclosures, see Note 14 - Commitments and Contingencies. Other charges primarily include $2.4 million of expenses for consulting fees related to a special project.

Fiscal 2016

During fiscal 2016, we recorded impairment charges of $10.7 million primarily related to seven underperforming restaurants that either continue to operate or closed during fiscal 2017 and $1.0 million related to a cost method investment. We recorded restaurant closure charges of $3.8 million that primarily consisted of additional lease and other costs associated with closed restaurants. We also incurred $3.3 million in severance and other benefits related to organizational changes.

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

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

Fiscal 2015

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

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

5. GOODWILL AND INTANGIBLES

The changes in the carrying amount of goodwill for the fiscal years ended June 28, 2017 and June 29, 2016 are as follows (in thousands):

	2017			2016		
	Chili's	Maggiano's	Consolidated	Chili's	Maggiano's	Consolidated
Balance at beginning of year	$ 125,610	$ 38,397	$ 164,007	$ 93,984	$ 38,397	$ 132,381
Changes in goodwill:						
Additions (a)	—	—	—	31,912	—	31,912
Foreign currency translation adjustment	(54)	—	(54)	(286)	—	(286)
Balance at end of year	$ 125,556	$ 38,397	$ 163,953	$ 125,610	$ 38,397	$ 164,007

(a) Fiscal 2016 additions reflect the goodwill acquired as a result of the acquisition of Pepper Dining. See Note 2 for additional disclosures.

Intangible assets, net for the fiscal years ended June 28, 2017 and June 29, 2016 are as follows (in thousands):

	2017			2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets						
Chili's reacquired franchise rights (a)	$ 16,170	$ (4,175)	$ 11,995	$ 17,284	$ (3,041)	$ 14,243
Chili's other	5,985	(1,070)	4,915	5,988	(713)	5,275
	$ 22,155	$ (5,245)	$ 16,910	$ 23,272	$ (3,754)	$ 19,518
Indefinite-lived intangible assets						
Chili's liquor licenses	$ 9,670			$ 9,775		
Maggiano's liquor licenses	932			932		
	$ 10,602			$ 10,707		

Amortization expense for all definite-lived intangible assets was $1.4 million, $1.5 million and $0.8 million in fiscal 2017, 2016 and 2015, respectively. Annual amortization expense for definite-lived intangible assets will approximate $1.5 million for each of the next five fiscal years.

(a) The gross carrying amount and accumulated amortization include the impact of foreign currency translation on existing balances of $0.1 million and $0.3 million for fiscal 2017 and 2016, respectively. We also recorded an impairment charge of $0.8 million and $0.2 million in fiscal 2017 and fiscal 2016, respectively. See Note 10 for additional disclosures.

6. ACCRUED AND OTHER LIABILITIES

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

	2017	2016
Sales tax	$ 22,561	$ 26,280
Insurance	17,484	19,976
Property tax	16,566	15,762
Dividends	16,649	17,760
Other	48,322	41,546
	$ 121,582	$ 121,324

Other liabilities consist of the following (in thousands):

	2017	2016
Straight-line rent	$ 57,464	$ 56,896
Insurance	42,532	38,433
Landlord contributions	26,402	24,681
Unfavorable leases	5,398	6,521
Unrecognized tax benefits	3,116	4,070
Other	6,212	7,081
	$ 141,124	$ 137,682

7. INCOME TAXES

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

	2017	2016	2015
Domestic	$ 186,679	$ 258,905	$ 257,228
Foreign	21,829	27,482	27,049
Total income before provision for income taxes	$ 208,508	$ 286,387	$ 284,277

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

	2017	2016	2015
Current income tax expense:			
Federal	$ 64,407	$ 48,896	$ 60,575
State	13,358	10,843	11,990
Foreign	2,490	3,497	3,319
Total current income tax expense	80,255	63,236	75,884
Deferred income tax (benefit) expense:			
Federal	(19,647)	21,842	11,674
State	(3,064)	704	2,156
Foreign	141	(15)	(96)
Total deferred income tax (benefit) expense	(22,570)	22,531	13,734
	$ 57,685	$ 85,767	$ 89,618

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

	2017	2016	2015
Income tax expense at statutory rate	$ 72,978	$ 100,236	$ 99,496
FICA tax credit	(20,657)	(20,497)	(18,633)
State income taxes, net of Federal benefit	5,928	9,614	8,646
Other	(564)	(3,586)	109
	$ 57,685	$ 85,767	$ 89,618

The income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities as of June 28, 2017 and June 29, 2016 are as follows (in thousands):

	2017	2016
Deferred income tax assets:		
Leasing transactions	$ 32,019	$ 32,826
Stock-based compensation	14,029	12,817
Restructure charges and impairments	3,533	2,211
Insurance reserves	19,700	18,015
Employee benefit plans	288	501
Gift cards	23,670	18,609
State net operating losses	2,554	3,030
Federal credit carryover	12,697	14,722
State credit carryover	3,148	3,238
Other, net	8,480	7,930
Less: Valuation allowance	(5,232)	(5,315)
Total deferred income tax assets	114,886	108,584
Deferred income tax liabilities:		
Prepaid expenses	19,506	17,360
Goodwill and other amortization	30,213	28,659
Depreciation and capitalized interest on property and equipment	26,375	43,858
Other, net	1,763	4,382
Total deferred income tax liabilities	77,857	94,259
Net deferred income tax asset	$ 37,029	$ 14,325

We have deferred tax assets of $6.4 million reflecting the benefit of state loss carryforwards, before federal benefit and valuation allowance, which expire at various dates between fiscal 2018 and fiscal 2037. We have deferred tax assets of $12.7 million of federal and $4.8 million state tax credits, before federal benefit and valuation allowance, which expire at various dates between fiscal 2024 and fiscal 2035. The recognized deferred tax asset for the state loss carryforwards is $0.5 million and the federal tax credits is $12.7 million. The federal credit carryover is limited by Section 382 of the Internal Revenue Code.

The valuation allowance decreased by $0.1 million in fiscal 2017 to recognize certain state net operating loss benefits management believes are more-likely-than-not to be realized.

No provision was made for the United States federal and state income taxes on certain outside basis differences, which primarily relate to accumulated unrepatriated foreign earnings of approximately $3.8 million as of June 28, 2017. It is not practicable to estimate the amount of tax that might be payable because our intent is to permanently reinvest these earnings or to repatriate earnings when it is tax effective to do so.

A reconciliation of unrecognized tax benefits for the fiscal years ended June 28, 2017 and June 29, 2016 are as follows (in thousands):

	2017	2016
Balance at beginning of year	$ 4,989	$ 3,843
Additions based on tax positions related to the current year	402	1,359
Additions based on tax positions related to prior years	31	2,332
Settlements with tax authorities	(681)	(1,963)
Expiration of statute of limitations	(679)	(582)
Balance at end of year	$ 4,062	$ 4,989

The total amount of unrecognized tax benefits that would affect income tax expense if resolved in our favor was $3.1 million and $3.9 million as of June 28, 2017 and June 29, 2016, respectively. We do not expect any material changes to our liability for uncertain tax positions during the next 12 months.

We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense. During fiscal 2017, we recognized approximately $0.2 million in interest expense. During fiscal 2016 and 2015, we recognized expenses of approximately $1.3 million and $0.2

million, respectively, in interest due to the reduction of accrued interest from statute expirations and settlements, net of accrued interest for remaining positions. As of June 28, 2017, we had $0.6 million ($0.4 million net of a $0.2 million Federal deferred tax benefit) of interest and penalties accrued, compared to $0.8 million ($0.6 million net of a $0.2 million Federal deferred tax benefit) at June 29, 2016.

Our income tax returns are subject to examination by taxing authorities in the jurisdictions in which we operate. The periods subject to examination for our federal return are fiscal 2015 to fiscal 2016 and fiscal 2013 to fiscal 2016 for our Canadian returns. State income tax returns are generally subject to examination for a period of three to five years after filing. We have various state income tax returns in the process of examination or settlements. Our federal return for fiscal 2015 and 2016 are currently under examination through the Internal Revenue Service: Compliance Assurance Process (CAP) program. There are no unrecorded liabilities associated with these examinations.

8. DEBT

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

	2017	2016
Revolving credit facility	$ 392,250	$ 530,250
5.00% notes	350,000	—
3.88% notes	300,000	300,000
2.60% notes	250,000	250,000
Capital lease obligations (see Note 9)	45,417	37,532
Total long-term debt	1,337,667	1,117,782
Less unamortized debt issuance costs and discounts	(8,189)	(3,526)
Total long-term debt less unamortized debt issuance costs and discounts	1,329,478	1,114,256
Less current installments	(9,649)	(3,563)
	$ 1,319,829	$ 1,110,693

On September 23, 2016, we completed the private offering of $350.0 million of our 5.0% senior notes due October 2024 (the "2024 Notes"). We received proceeds of $350.0 million prior to debt issuance costs of $6.2 million and utilized the proceeds to fund a $300 million accelerated share repurchase agreement and to repay $50.0 million on the amended $1 billion revolving credit facility. See Note 1 for additional disclosures related to the accelerated share repurchase agreement. The notes require semi-annual interest payments which began on April 1, 2017.

The indenture for the 2024 Notes contains certain covenants, including, but not limited to, limitations and restrictions on the ability of the Company and its Restricted Subsidiaries (as defined in the indenture) to (i) create liens on Principal Property (as defined in the Indenture), (ii) enter into any Sale and Leaseback Transaction (as defined in the Indenture) with respect to any property, and (iii) merge, consolidate or amalgamate with or into any other person or sell, transfer, assign, lease, convey or otherwise dispose of all or substantially all of their property. These covenants are subject to a number of important conditions, qualifications, exceptions and limitations.

On September 13, 2016, we amended the revolving credit facility to increase the borrowing capacity from $750 million to $1 billion. We capitalized debt issuance costs of $4.0 million associated with the amendment of the revolving credit facility, which are included in other assets in the consolidated balance sheet as of June 28, 2017. During fiscal 2017, net payments of $138.0 million were made on the revolving credit facility.

Under the amended $1 billion revolving credit facility, the maturity date for $890.0 million of the facility was extended from March 12, 2020 to September 12, 2021 and the remaining $110.0 million remains due on March 12, 2020. The amended revolving credit facility bears interest of LIBOR plus an applicable margin, which is a function of our credit rating and debt to cash flow ratio, but is subject to a maximum of LIBOR plus 2.00%. Based on our current credit rating, we are paying interest at a rate of LIBOR plus 1.38% for a total of 2.60%. One month LIBOR at June 28, 2017 was approximately 1.22%.

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

In May 2013, we issued $550.0 million of notes consisting of two tranches - $250.0 million of 2.60% notes due in May 2018 and $300.0 million of 3.88% notes due in May 2023. The notes require semi-annual interest payments which began in the second quarter of fiscal 2014.

As of June 28, 2017, $607.8 million of credit is available under the revolving credit facility. Obligations under our 2.60% notes, which will mature in May 2018, have been classified as long-term, reflecting our ability to refinance these notes through our existing revolving credit facility.

Our debt agreements contain various financial covenants that, among other things, require the maintenance of certain leverage and fixed charge coverage ratios. The financial covenants were not significantly changed as a result of the new and amended debt agreements. We are currently in compliance with all financial covenants.

Excluding capital lease obligations (see Note 9) and interest, our long-term debt maturities for the five years following June 28, 2017 and thereafter are as follows (in thousands):

Fiscal Year	Long-Term Debt
2018	$ 250,000
2019	—
2020	—
2021	—
2022	392,250
Thereafter	650,000
	$ 1,292,250

9. LEASES

(a) Capital Leases

We lease certain buildings under capital leases. The asset value of $38.8 million at June 28, 2017 and June 29, 2016, and the related accumulated amortization of $26.0 million and $24.1 million at June 28, 2017 and June 29, 2016, respectively, are included in buildings and leasehold improvements.

We also lease certain technology equipment under capital leases. The asset value of $12.4 million and $0.7 million at June 28, 2017 and June 29, 2016, and the related accumulated amortization of $0.7 million and $0.2 million at June 28, 2017 and June 29, 2016, respectively, are included in furniture and equipment. Amortization of assets under capital leases is included in depreciation and amortization expense.

(b) Operating Leases

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

Rent expense consists of the following (in thousands):

	2017	2016	2015
Straight-lined minimum rent	$ 109,819	$ 107,776	$ 92,917
Contingent rent	3,821	4,408	4,774
Other	11,682	11,283	9,998
Total rent expense	$ 125,322	$ 123,467	$ 107,689

(c) Commitments

As of June 28, 2017, future minimum lease payments on capital and operating leases were as follows (in thousands):

Fiscal Year	Capital Leases	Operating Leases
2018	$ 11,823	$ 122,598
2019	7,636	110,238
2020	7,164	97,645
2021	4,820	82,707
2022	3,902	63,584
Thereafter	24,074	130,083
Total minimum lease payments(a)	59,419	$ 606,855
Imputed interest (average rate of 7%)	(14,002)	
Present value of minimum lease payments	45,417	
Less current installments	(9,649)	
	$ 35,768	

(a) Future minimum lease payments have not been reduced by minimum sublease rentals to be received in the future under non-cancelable subleases. The total of undiscounted future sublease rentals are approximately $25.0 million and $40.8 million for capital and operating subleases, respectively.

10. FAIR VALUE DISCLOSURES

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

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

We determine the fair value of property and equipment and reacquired franchise rights based on discounted projected future cash flows of the restaurants over their remaining service life using a risk adjusted discount rate that is commensurate with the inherent risk. Based on our semi-annual review, during fiscal 2017, long-lived assets and reacquired franchise rights with carrying values of $4.5 million and $0.8 million, respectively, primarily related to ten underperforming restaurants, were determined to have a total fair value of $0.2 million resulting in an impairment charge of $5.1 million. Based on our semi-annual review, during fiscal 2016, long-lived assets and reacquired franchise rights with carrying values of $7.0 million and $0.2 million, respectively, primarily related to five underperforming restaurants, were determined to have a total fair value of $0.2 million resulting in an impairment charge of $7.0 million. During the third quarter of fiscal 2016, two restaurants were identified for closure by management with a combined carrying value of $3.4 million. We determined these restaurants had no fair value resulting in an impairment charge of $3.4 million.

We determine the fair value of transferable liquor licenses based on prices in the open market for licenses in the same or similar jurisdictions. In fiscal 2017, six transferable liquor licenses with a carrying value of $1.3 million were written down to the fair value of $1.2 million resulting in an impairment charge of $0.1 million. In fiscal 2016, four transferable liquor licenses with a carrying value of $1.1 million were written down to the fair value of $0.9 million resulting in an impairment charge of $0.2 million.

During fiscal 2016, we recorded an impairment charge of $187,000 related to a parcel of undeveloped land that we own. The land had a carrying value of $937,000 and was written down to the fair value of $750,000. The fair value was based on the sales price of comparable properties. Additionally, we recorded an impairment charge of $231,000 related to a capital lease asset that is subleased to a franchisee. The capital lease asset had a carrying value of $338,000 and was written down to the fair value of $107,000. The fair value of the capital lease asset is based on discounted projected future cash flows from the sublease. We also recorded an impairment charge of $1.0 million related to a cost method investment which we determined to have no fair value.

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

The following table presents fair values for those assets measured at fair value on a non-recurring basis at June 28, 2017 and June 29, 2016 (in thousands):

	Fair Value Measurements Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Long-lived assets held for use:				
At June 28, 2017	$ —	$ —	$ 201	$ 201
At June 29, 2016	$ —	$ —	$ 208	$ 208
Liquor licenses:				
At June 28, 2017	$ —	$ 1,185	$ —	$ 1,185
At June 29, 2016	$ —	$ 857	$ —	$ 857
Other long-lived assets:				
At June 28, 2017	$ —	$ —	$ —	$ —
At June 29, 2016	$ —	$ 750	$ 107	$ 857

(b) Other Financial Instruments

Our financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and long-term debt. The fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amounts because of the short maturity of these items. The carrying amount of debt outstanding related to the amended revolving credit facility approximates fair value as the interest rate on this instrument approximates current market rates (Level 2). The fair values of the 2.60% notes, 3.88% and 5.00% notes are based on quoted market prices and are considered Level 2 fair value measurements.

The carrying amounts, which are net of unamortized debt issuance costs and discounts, and fair values of the 2.60% notes, 3.88% notes and 5.00% notes are as follows (in thousands):

	June 28, 2017		June 29, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
2.60% Notes	$ 249,495	$ 250,480	$ 248,918	$ 252,445
3.88% Notes	$ 297,912	$ 286,077	$ 297,556	$ 302,655
5.00% Notes	$ 344,405	$ 347,956	$ —	$ —

11. STOCK-BASED COMPENSATION

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

(a) Stock Options

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

Transactions during fiscal 2017 were as follows (in thousands, except option prices):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Options outstanding at June 29, 2016	1,217	$ 39.12		
Granted	546	53.10		
Exercised	(225)	24.98		
Forfeited or canceled	(162)	52.01		
Options outstanding at June 28, 2017	1,376	$ 45.46	5.0	$ 4,014
Options exercisable at June 28, 2017	652	$ 37.82	3.1	$ 4,014

At June 28, 2017, unrecognized compensation expense related to stock options totaled approximately $1.6 million and will be recognized over a weighted average period of 1.9 years. The intrinsic value of options exercised totaled approximately $5.6 million, $5.3 million and $28.1 million during fiscal 2017, 2016 and 2015, respectively. The tax benefit realized on options exercised totaled approximately $1.6 million, $1.6 million and $9.2 million during fiscal 2017, 2016 and 2015, respectively.

(b) Restricted Share Awards

Restricted share awards consist of performance shares, restricted stock and restricted stock units. In fiscal 2017, eligible employees under the Plans were granted performance shares whose vesting is contingent upon meeting company performance goals based on our rate of earnings growth at the end of a three fiscal year period. Expense is recognized ratably over the vesting period, or to the date on which retirement eligibility is achieved, if shorter, based upon management's periodic estimates of the number of shares that ultimately will be issued. Prior to fiscal 2017, eligible employees under the Plans were granted performance shares containing a market condition which generally vest in full on the third anniversary of the date of grant. Most restricted stock units granted to eligible employees under the Plans generally vest in full on the third anniversary of the date of grant. Restricted stock units issued to eligible employees under our career equity plan generally vest upon each employee’s retirement from the Company. Expense is recognized ratably over the vesting period, or to the date on which retirement eligibility is achieved, if shorter. Restricted stock and restricted stock units granted to non-employee directors under the Plans generally vest in full on the fourth anniversary of the date of grant or upon each director’s retirement from the Board. The non-employee directors' awards are non-forfeitable and are expensed upon grant. Full or partial vesting of awards may occur upon a change in control (as defined in the Plans), or upon an employee’s death, disability or involuntary termination.

Transactions during fiscal 2017 were as follows (in thousands, except fair values):

	Number of Restricted Share Awards	Weighted Average Grant Date Fair Value Per Award
Restricted share awards outstanding at June 29, 2016	998	$ 42.68
Granted	262	53.11
Vested	(303)	39.55
Forfeited	(143)	47.71
Restricted share awards outstanding at June 28, 2017	814	$ 46.32

At June 28, 2017, unrecognized compensation expense related to restricted share awards totaled approximately $9.4 million and will be recognized over a weighted average period of 2.2 years. The fair value of shares that vested during fiscal 2017, 2016 and 2015 totaled approximately $12.8 million, $23.9 million and $34.2 million, respectively.

12. SAVINGS PLAN

We sponsor a qualified defined contribution retirement plan covering all employees who have attained the age of twenty-one and have completed one year and 1,000 hours of service. Eligible employees are allowed to contribute, subject to IRS limitations on total annual contributions, up to 50% of their base compensation and 100% of their eligible bonuses, as defined in the plan, to various investment funds. We match in cash at a rate of 100% of the first 3% an employee contributes and 50% of the next 2% the employee contributes with immediate vesting. In fiscal 2017, 2016 and 2015, we contributed approximately $8.9 million, $8.9 million and $8.0 million, respectively.

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2017	2016	2015
Income taxes, net of refunds	$ 89,035	$ 45,743	$ 50,437
Interest, net of amounts capitalized	39,767	28,989	26,190

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

	2017	2016	2015
Retirement of fully depreciated assets	$ 21,185	$ 24,806	$ 40,775
Dividends declared but not paid	17,317	18,442	18,132
Accrued capital expenditures	12,738	7,094	4,109
Capital lease additions	11,717	—	—

14. COMMITMENTS AND CONTINGENCIES

In connection with the sale of restaurants to franchisees and brand divestitures, we have, in certain cases, guaranteed lease payments. As of June 28, 2017 and June 29, 2016, we have outstanding lease guarantees or are secondarily liable for $69.0 million and $72.9 million, respectively. This amount represents the maximum potential liability of future payments under the guarantees. These leases have been assigned to the buyers and expire at the end of the respective lease terms, which range from fiscal 2018 through fiscal 2027. In the event of default, the indemnity and default clauses in our assignment agreements govern our ability to pursue and recover damages incurred.

In July 2017, subsequent to the end of the fiscal year, we were notified that a divested brand closed several of its properties for which we are secondarily liable. We believe a loss has been incurred based on the likely default under the lease contracts by the divested brand. As a result, a liability was established in fiscal 2017 based on an estimate of the obligation associated with these locations. Our total lease obligation liability recorded in accrued liabilities on the consolidated balance sheet at the end of fiscal 2017 related to divested brands was approximately $1.5 million. We will continue to assess the potential for further changes to our liability related to the outstanding lease guarantees and will pursue recovering any damages incurred. We have not been informed of any other lease defaults. No other liabilities have been recorded as of June 28, 2017.

We provide letters of credit to various insurers to collateralize obligations for outstanding claims. As of June 28, 2017, we had $31.2 million in undrawn standby letters of credit outstanding. All standby letters of credit are renewable annually.

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

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

15. SEGMENT INFORMATION

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

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

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

	Fiscal Year Ended June 28, 2017			
	Chili's	Maggiano's	Other	Consolidated
Company sales	$ 2,653,301	$ 409,278	$ —	$ 3,062,579
Franchise and other revenues	66,693	21,565	—	88,258
Total revenues	2,719,994	430,843	—	3,150,837
Company restaurant expenses (a)	2,220,607	361,700	469	2,582,776
Depreciation and amortization	129,335	16,172	10,902	156,409
General and administrative	37,005	6,191	89,623	132,819
Other gains and charges	13,229	783	8,643	22,655
Total operating costs and expenses	2,400,176	384,846	109,637	2,894,659
Operating income	$ 319,818	$ 45,997	$ (109,637)	$ 256,178
Segment assets	$ 1,173,797	$ 163,733	$ 76,170	$ 1,413,700
Equity method investment	10,171	—	—	10,171
Payments for property and equipment	75,992	13,288	13,293	102,573

	Fiscal Year Ended June 29, 2016			
	Chili's	Maggiano's	Other	Consolidated
Company sales	$ 2,754,904	$ 411,755	$ —	$ 3,166,659
Franchise and other revenues	68,484	22,346	—	90,830
Total revenues	2,823,388	434,101	—	3,257,489
Company restaurant expenses (a)	2,272,771	364,466	1,635	2,638,872
Depreciation and amortization	131,306	15,046	10,016	156,368
General and administrative	35,845	6,225	85,523	127,593
Other gains and charges	6,973	3,472	6,735	17,180
Total operating costs and expenses	2,446,895	389,209	103,909	2,940,013
Operating income	$ 376,493	$ 44,892	$ (103,909)	$ 317,476
Segment assets	$ 1,218,009	$ 163,753	$ 76,688	$ 1,458,450
Equity method investment	10,257	—	—	10,257
Payments for property and equipment	80,277	17,540	14,971	112,788

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

(a) Company restaurant expenses includes cost of sales, restaurant labor and restaurant expenses, including advertising.

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

	Fiscal Years Ended		
	June 28, 2017	June 29, 2016	June 24, 2015
Operating income	$ 256,178	$ 317,476	$ 311,202
Less interest expense	(49,547)	(32,574)	(29,006)
Plus other, net	1,877	1,485	2,081
Income before provision for income taxes	$ 208,508	$ 286,387	$ 284,277

16. IMMATERIAL CORRECTION OF PRIOR PERIOD FINANCIAL STATEMENTS

In connection with the preparation of the consolidated financial statements for the year ended June 28, 2017, we discovered immaterial errors in prior years relating to the accuracy of the deferred income tax liability, primarily related to property and equipment. While we have concluded that the impact of these errors on our previously-issued consolidated financial statements was not material, we have revised our previously-reported consolidated financial statements for the years ended June 29, 2016 and June 24, 2015.

The revisions to our consolidated statements of comprehensive income for the years ended June 29, 2016 and June 24, 2015 are as follows (in thousands, except per share amounts):

	Fifty-Three Week Period Ended June 29, 2016		Fifty-Two Week Period Ended June 24, 2015	
	As Reported	As Revised	As Reported	As Revised
Income before provision for income taxes	$ 286,387	$ 286,387	$ 284,277	284,277
Provision for income taxes	85,642	85,767	87,583	89,618
Net income	$ 200,745	$ 200,620	$ 196,694	$ 194,659
Basic net income per share	$ 3.47	$ 3.47	$ 3.12	$ 3.09
Diluted net income per share	$ 3.42	$ 3.42	$ 3.05	$ 3.02
Basic weighted average shares outstanding	57,895	57,895	63,072	63,072
Diluted weighted average shares outstanding	58,684	58,684	64,404	64,404
Other comprehensive loss:				
Foreign currency translation adjustment	$ (2,964)	$ (2,964)	$ (7,690)	$ (7,690)
Other comprehensive loss	(2,964)	(2,964)	(7,690)	(7,690)
Comprehensive income	$ 197,781	$ 197,656	$ 189,004	$ 186,969

The revisions to our consolidated balance sheet as of June 29, 2016 were as follows (in thousands):

	June 29, 2016	
	As Reported	As Revised
Accounts receivable, net	$ 43,944	$ 45,612
Total current assets	176,774	178,442
Deferred income taxes, net	27,003	14,325
Total other assets (a)	249,534	236,856
Total assets (a)	1,469,460	1,458,450
Income taxes payable	18,814	22,022
Total current liabilities	432,443	435,651
Other liabilities	139,423	137,682
Total shareholders' deficit	(213,099)	(225,576)
Total liabilities and shareholders' deficit	$ 1,469,460	$ 1,458,450

(a) During the first quarter of fiscal 2017, we adopted ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, on a retrospective basis. Accordingly, we reclassified the debt issuance cost balances associated with the 2.60% notes and 3.88% notes of $1.0 million and $2.2 million, respectively, from other assets to long-term debt, less current installments on the consolidated balance sheet as of June 29, 2016.

The revisions had no impact on cash flows from operating, investing, or financing activities on the consolidated statements of cash flows for fiscal years 2016 and 2015. The revisions to the consolidated statements of shareholders' deficit include the changes to net income and comprehensive income, as noted above, and a $10.3 million decrease to retained earnings at the beginning of fiscal 2015.

17. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following table summarizes the unaudited consolidated quarterly results of operations for fiscal 2017 and 2016 (in thousands, except per share amounts):

	Fiscal Year 2017 Quarters Ended			
	Sept. 28	Dec. 28	March 29	June 28
Revenues	$ 758,492	$ 771,043	$ 810,641	$ 810,661
Income before provision for income taxes	$ 32,966	$ 48,268	$ 59,612	$ 67,662
Net income	$ 23,233	$ 34,637	$ 42,369	$ 50,584
Basic net income per share	$ 0.42	$ 0.70	$ 0.87	$ 1.03
Diluted net income per share	$ 0.42	$ 0.69	$ 0.86	$ 1.02
Basic weighted average shares outstanding	54,844	49,833	48,954	48,917
Diluted weighted average shares outstanding	55,576	50,480	49,506	49,435

	Fiscal Year 2016 Quarters Ended			
	Sept. 23	Dec. 23	March 23	June 29 (a)
Revenues	$ 762,559	$ 788,610	$ 824,639	$ 881,681
Income before provision for income taxes	$ 48,753	$ 68,272	$ 78,150	$ 91,212
Net income	$ 33,207	$ 47,694	$ 57,502	$ 62,217
Basic net income per share	$ 0.55	$ 0.81	$ 1.01	$ 1.12
Diluted net income per share	$ 0.54	$ 0.80	$ 1.00	$ 1.10
Basic weighted average shares outstanding	60,225	59,198	56,673	55,657
Diluted weighted average shares outstanding	61,208	59,899	57,407	56,394

(a) This unaudited financial information has been revised to reflect the effect of the revisions described in Note 16-Immaterial Correction of Prior Period Financial Statements. The impact on fiscal 2016 was a reduction to net income of $0.1 million which has been reflected as a reduction in the fourth quarter of fiscal 2016. There were no impacts to the previously-reported quarterly results in fiscal 2017.

Net income for fiscal 2017 included severance charges of $0.3 million, $5.9 million and $0.4 million in the first, third and fourth quarters of fiscal 2017, respectively. Restaurant impairment charges of $1.9 million and $3.3 million were recorded in the second and fourth quarters, respectively. We also recorded additional lease and other costs associated with closed restaurants of $2.5 million, $0.3 million, $0.8 million and $0.5 million in the first, second, third and fourth quarters of fiscal 2017, respectively. We incurred professional fees and severance expenses of $2.5 million and $0.2 million in the first and second quarters, respectively, related to our information technology restructuring. We also recorded gains on the sale of property of $2.6 million in the second quarter of fiscal 2017. Additionally, we recorded accelerated depreciation related to long-lived assets to be disposed of $0.7 million, $0.7 million and $0.6 million in the first, second and fourth quarters of fiscal 2017, respectively. Furthermore, we recorded consulting fees of $2.4 million and lease guarantee charges of $1.1 million in the fourth quarter of fiscal 2017.

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

18. SUBSEQUENT EVENTS

On August 10, 2017, our Board of Directors declared a quarterly dividend of $0.38 per share effective with the September 2017 dividend. Our Board of Directors also authorized a $250 million increase to our existing share repurchase program, bringing the total amount available for repurchases to approximately $365 million.

Subsequent to the end of the fiscal year, an additional $110.0 million was drawn from the $1 billion revolving credit facility.

19. EFFECT OF NEW ACCOUNTING STANDARDS

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This update eliminates step two of the goodwill impairment analysis. Companies will no longer be required to perform a hypothetical purchase price allocation to measure goodwill impairment. Instead, they will measure impairment as the difference between the carrying amount and the fair value of the reporting unit. This update is effective for annual and interim periods for fiscal years beginning after December 15, 2019, which will require us to adopt these provisions in the first quarter of fiscal 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed with measurement dates after January 1, 2017. The update will be applied on a prospective basis. We do not expect the adoption of this guidance to have any impact on our consolidated financial statements as the fair value of our reporting units is substantially in excess of the carrying values.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments (Topic 230). This update provides clarification regarding how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. This update is effective for annual and interim periods for fiscal years beginning after December 15, 2017, which will require us to adopt these provisions in the first quarter of fiscal 2019. Early adoption is permitted for financial statements that have not been previously issued. The update will be applied on a retrospective basis. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements or debt covenants.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting (Topic 718). This update was issued as part of the FASB's simplification initiative and affects all entities that issue share-based payment awards to their employees. The amendments in this update cover such areas as the recognition of excess tax benefits and deficiencies, the classification of those excess tax benefits on the statement of cash flows, an accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification and the classification of those taxes paid on the statement of cash flows. This update is effective for annual and interim periods for fiscal years beginning after December 15, 2016, which will require us to adopt these provisions in the first quarter of fiscal 2018. Adoption of the new guidance will require recognition of excess tax benefits and tax deficiencies in the consolidated statements of comprehensive income on a prospective basis, with a cumulative effect adjustment to retained earnings for any prior year excess tax benefits or tax deficiencies not previously recorded. In addition, this guidance will require reclassification of excess tax benefits from cash flows from financing activities to cash flows from operating activities on the consolidated statements of cash flows. We expect to apply this change on a retrospective basis. Based on our current stock price, we expect the adoption of the new guidance in the first quarter of fiscal 2018 will result in the recognition of a discrete tax expense of approximately $2 million in the provision for income taxes on our fiscal 2018 consolidated statements of comprehensive income. The inclusion of excess tax benefits and deficiencies within our provision for income taxes will increase its volatility as the amount of excess tax benefits or deficiencies from share-based compensation awards depends on our stock price at the date the awards vest. We expect that adoption of the remaining provisions in the update noted above will not have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This update requires a lessee to recognize on the balance sheet a liability to make lease payments and a corresponding right-of-use asset for virtually all leases, other than leases with a term of 12 months or less. The update also requires additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases. This update is effective for annual and interim periods for fiscal years beginning after December 15, 2018, which will require us to adopt these provisions in the first quarter of fiscal 2020. Early adoption is permitted for financial statements that have not been previously issued. This update will be applied on a modified retrospective basis. We anticipate implementing the standard by taking advantage of the practical expedient option. The discounted minimum remaining rental payments will be the starting point for determining the right-of-use asset and lease liability. We had operating leases with remaining rental payments of approximately $606.9 million at the end of fiscal 2017. We expect that adoption of the new guidance will have a material impact on our consolidated balance sheets due to recognition of the right-of-use asset and lease liability related to our current operating leases. The process of evaluating the full impact of the new guidance on our consolidated financial statements and disclosures is ongoing, but we anticipate the initial evaluation of the impact will be completed in fiscal 2018.

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

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Brinker International, Inc. and subsidiaries (the Company) as of June 28, 2017 and June 29, 2016, and the related consolidated statements of comprehensive income, shareholders' (deficit) equity, and cash flows for each of the years in the three-year period ended June 28, 2017. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Brinker International, Inc. and subsidiaries as of June 28, 2017 and June 29, 2016, and the results of their operations and their cash flows for each of the years in the three-year period ended June 28, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of June 28, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated August 28, 2017, expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Dallas, TX

August 28, 2017

Report of Independent Registered Public Accounting Firm

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

We have audited Brinker International, Inc.'s (the Company) internal control over financial reporting as of June 28, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Brinker International Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Annual Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness related to ineffective internal controls over the measurement and presentation of deferred income taxes, resulting from a lack of skilled resources in the tax department with sufficient understanding of internal control over financial reporting, has been identified and included in management's assessment.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 28, 2017 and June 29, 2016, and the related consolidated statements of comprehensive income, shareholders' (deficit) equity, and cash flows for each of the years in the three-year period ended June 28, 2017. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2017 consolidated financial statements, and this report does not affect our report dated August 28, 2017, which expressed an unqualified opinion on those consolidated financial statements.

In our opinion, because of the effect of the aforementioned material weakness on the achievement of the objectives of the control criteria, Brinker International, Inc. has not maintained effective internal control over financial reporting as of June 28, 2017, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We do not express an opinion or any other form of assurance on management's statements referring to corrective actions taken after June 28, 2017, relative to the aforementioned material weakness in internal control over financial reporting.

/s/ KPMG LLP

Dallas, TX
August 28, 2017

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

We maintain a system of internal control over financial reporting designed to provide reasonable assurance of the reliability of the consolidated financial statements. Our internal audit function monitors and reports on the adequacy of the compliance of the internal control system and appropriate actions are taken to address control deficiencies and other opportunities for improving the system as they are identified. The Audit Committee of the Board of Directors, which is comprised solely of outside directors, provides oversight to the financial reporting process through periodic meetings with our independent registered public accounting firm, internal auditors, and management. Both our independent registered public accounting firm and internal auditors have free access to the Audit Committee.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

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

Management, including the principal executive officer and principal financial officer, has conducted an assessment, including testing, of the effectiveness of the Company's internal control over financial reporting as of June 28, 2017, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - An Integrated Framework (2013). Based on this evaluation, management has identified a material weakness in our internal controls over the measurement and presentation of deferred income taxes. Specifically, the Company did not have effective controls over the completeness and accuracy of temporary taxable and deductible differences between the book carrying amount and the tax basis of the underlying assets and liabilities at interim and annual reporting dates and including when the tax returns were filed. These process level control deficiencies resulted from a lack of skilled resources in the tax department with sufficient understanding of internal controls over financial reporting.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The control deficiencies described above resulted in immaterial misstatements of the Company's provision for income taxes as well as the deferred tax liability, primarily related to property and equipment, and income taxes payable in our consolidated financial statements as at and for the year ended June 29, 2016 which was corrected in our consolidated financial statements for the year ended June 28, 2017 as further described in Note 16 to the notes to the consolidated financial statements. Moreover, these control deficiencies create a reasonable possibility that a material misstatement to our consolidated financial statements will not be prevented or detected on a timely basis. As a result, we concluded that the deficiencies represent a material weakness in our internal control over financial reporting and that our internal control over financial reporting is not effective as of June 28, 2017.

Our independent registered public accounting firm, KPMG LLP, has expressed an adverse report on the operating effectiveness of our internal control over financial reporting. KPMG LLP's report appears on page F-42 of this Form 10-K.

/s/ WYMAN T. ROBERTS

WYMAN T. ROBERTS
President and Chief Executive Officer

/s/ JOE TAYLOR

JOE TAYLOR
Senior Vice President and Chief Financial Officer

Exhibit 21

BRINKER INTERNATIONAL, INC., A DELAWARE CORPORATION
SUBSIDIARIES

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

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors

Brinker International, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 033-56491, 333-02201, 333-93755, 333-42224, 333-105720, 333-125289, 333-157050, and 333-201929) on Form S-8, registration statements (Nos. 333-74902 and 333-188252) on Form S-3, and registration statement (No. 333-116879) on Form S-4 of Brinker International, Inc. of our reports dated August 28, 2017, with respect to the consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 28, 2017 and June 29, 2016, and the related consolidated statements of comprehensive income, stockholders' (deficit) equity, and cash flows for each of the years in the three-year period ended June 28, 2017 and the effectiveness of internal control over financial reporting as of June 28, 2017, which reports appear in the June 28, 2017 annual report on Form 10-K of Brinker International, Inc.

Our report dated August 28, 2017, on the effectiveness of internal control over financial reporting as of June 28, 2017, expresses our opinion that Brinker International, Inc. did not maintain effective internal control over financial reporting as of June 28, 2017 because of the effect of a material weakness on the achievement of the objectives of the control criteria and contains an explanatory paragraph that states a material weakness related to the ineffective internal controls over the measurement and presentation of deferred income taxes, resulting from a lack of skilled resources in the tax department with sufficient understanding of internal control over financial reporting, has been identified and included in management's assessment.

/s/ KPMG LLP

Dallas, Texas

August 28, 2017

Exhibit 31(a)

CERTIFICATION

I, Wyman T. Roberts, certify that:

1. I have reviewed this Annual Report on Form 10-K of Brinker International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally acceptable accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 28, 2017

/S/ WYMAN T. ROBERTS

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

Exhibit 31(b)

CERTIFICATION

I, Joseph G. Taylor, certify that:

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

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

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

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

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

Dated: August 28, 2017

/S/ JOSEPH G. TAYLOR

Joseph G. Taylor
Senior Vice President and Chief Financial Officer(Principal Financial and Accounting Officer)

Exhibit 32(a)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the "Company"), hereby certifies that the Company's Annual Report on Form 10-K for the year ended June 28, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 28, 2017

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

Exhibit 32(b)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the "Company"), hereby certifies that the Company's Annual Report on Form 10-K for the year ended June 28, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 28, 2017

By:	/S/ JOSEPH G. TAYLOR
Name:	*Joseph G. Taylor*
Title:	*Senior Vice President and Chief Financial Officer(Principal Financial and Accounting Officer)*

Exhibit 2

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

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

BRINKER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

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

(972) 980-9917

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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 ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

PART I

Item 1 BUSINESS.

General

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

We own, develop, operate and franchise the Chili’s® Grill & Bar (“Chili’s”) and Maggiano’s Little Italy® (“Maggiano’s”) restaurant brands. The Company was organized under the laws of the State of Delaware in September 1983 to succeed to the business operated by Chili’s, Inc., a Texas corporation, which was organized in August 1977. We completed the acquisition of Maggiano’s in August 1995.

Restaurant Brands

Chili’s Grill & Bar

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

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

Maggiano’s Little Italy

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

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

Business Strategy

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

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

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

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

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

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

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

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

Company Development

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

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

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

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

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

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

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

Franchise Development

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

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

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

____

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

International

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

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

Domestic

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

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

Restaurant Management

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

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

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

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

Supply Chain

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

Advertising and Marketing

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

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

Team Members

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

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

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

Trademarks

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

Available Information

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

Item 1A. RISK FACTORS.

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

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

Competition may adversely affect our operations and financial results.

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

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

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

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

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

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

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

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

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

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

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

A decrease in our credit ratings could adversely impact our cost of credit, financial flexibility and other terms for debt issuances. We recently announced plans to increase our leverage in the range of $250 to $300 million in the near term. As a result, one credit rating agency has downgraded our credit rating to non-investment grade, and the Company has been placed on review for downgrade at the other credit rating agencies. We do not expect these downgrades to impact our ability to execute our recapitalization plan.

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

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

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

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

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

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

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

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

Due to our international franchising, we are also subject to governmental regulations throughout the world impacting the way we do business with our international franchisees and joint venture partners. These include antitrust and tax requirements, anti-boycott regulations, import/export/customs and other international trade regulations, the USA Patriot Act and the Foreign Corrupt Practices Act. Failure to comply with any such legal requirements could subject us to monetary liabilities and other sanctions, which could adversely impact our business and financial performance.

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

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

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

Inflation may increase our operating expenses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There has been a marked increase in the use of social media platforms and similar devices which allow individuals access to a broad audience of consumers and other interested persons. Many social media platforms immediately publish the content their subscribers and participants can post, often without filters or checks on accuracy of the content posted. Information posted on such platforms at any time may be adverse to our interests or may be inaccurate, each of which may harm our performance, prospects, or business. The harm may be immediate without affording us an opportunity for redress or correction. The dissemination of information online could harm our business, prospects, financial condition, and results of operations, regardless of the information's accuracy.

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

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

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

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

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

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

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

We receive and maintain certain personal information about our guests and team members in our information technology systems, such as point-of-sale, web and mobile platforms, including our rewards program. Additionally our systems contain proprietary and confidential information related to our business. Use of this information is regulated at the federal and state levels, as well as by certain third party contracts. If our or our business associates' information systems are compromised as a result of a cyber attack or other external or internal method, or we fail to comply with applicable laws and regulations, it could result in a violation of the laws and regulations, and an adverse and material impact on our reputation, operations, results of operations and financial condition. Such security breaches could also result in litigation or governmental investigation against us or the imposition of penalties. These impacts could also occur if we are perceived either to have had an attack, failure or to have failed to properly respond to an incident. Like many other retail companies, we experience frequent attempts to compromise our systems, but none have resulted in a material breach. As privacy and information security laws and regulations change or cyber risks evolve pertaining to data, we may incur additional costs in technology, third party services and personnel to remain in compliance and maintain systems designed to anticipate and prevent cyber attacks. Our security frameworks are designed to prevent breaches of our systems and data loss, but these measures cannot provide assurance that we will be successful in preventing such breaches or data loss.

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

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

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

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

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

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

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

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

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

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

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

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

Other risk factors may adversely affect our financial performance.

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

Item 1B. UNRESOLVED STAFF COMMENTS.

None.

Item 2. PROPERTIES.

Restaurant Locations

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

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

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

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

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

Restaurant Property Information

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

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

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

Other Properties

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

Item 3. LEGAL PROCEEDINGS.

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

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

Item 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

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

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

Fiscal year ended June 29, 2016:

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

Fiscal year ended June 24, 2015:

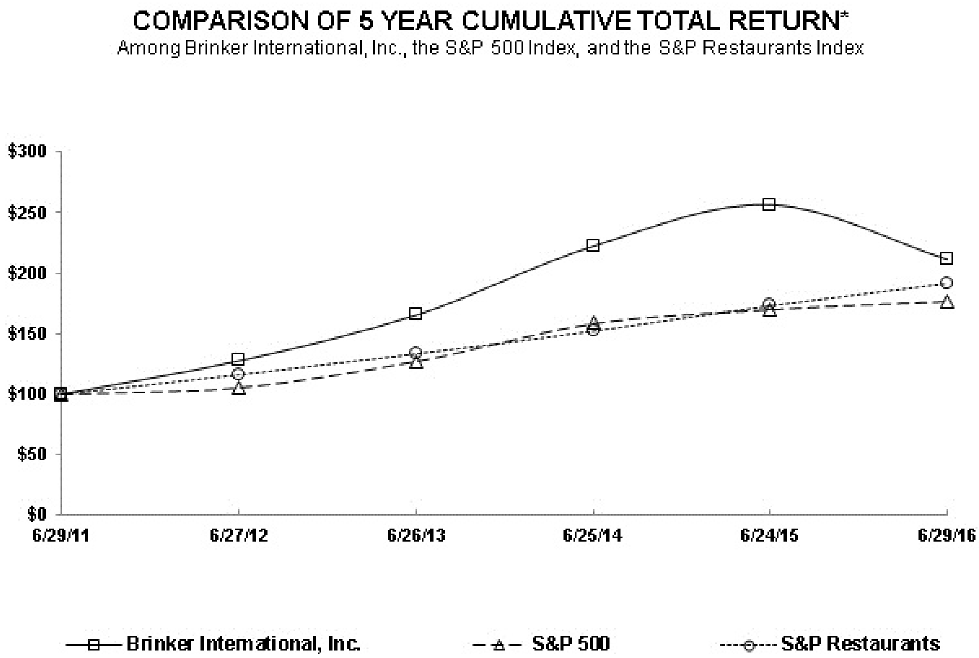
	High	Low
First Quarter	$ 51.77	$ 44.16
Second Quarter	$ 58.93	$ 49.55
Third Quarter	$ 63.12	$ 57.43
Fourth Quarter	$ 61.82	$ 54.04

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

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

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

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



*$100 invested on 6/29/11 in stock or 6/30/11 in index, including reinvestment of dividends.
Indexes calculated on month-end basis.

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

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

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

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

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

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

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

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

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

Item 6. SELECTED FINANCIAL DATA.

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

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

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

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

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

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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

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

None.

Item 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

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

Management's Report on Internal Control over Financial Reporting

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

Internal Control over Financial Reporting

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

Item 9B. OTHER INFORMATION.

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

If you would like information about:

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

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

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

Item 11. EXECUTIVE COMPENSATION.

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

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

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

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

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

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

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

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

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a)(1) Financial Statements.

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

(a)(2) Financial Statement Schedules.

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

(a)(3) Exhibits.

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

SIGNATURES

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

BRINKER INTERNATIONAL, INC.,
a Delaware corporation

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

Dated: August 29, 2016

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

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

INDEX TO FINANCIAL STATEMENTS

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

INDEX TO EXHIBITS

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

____

(1) Filed as an exhibit to annual report on Form 10-K for year ended June 28, 1995 and incorporated herein by reference.
(2) Filed as an exhibit to quarterly report on Form 10-Q for quarter ended December 25, 2013 and incorporated herein by reference.
(3) Filed as an exhibit to current report on Form 8-K dated May 15, 2013 and incorporated herein by reference.
(4) Filed as an exhibit to registration statement on Form S-3 filed April 30, 2013, SEC File No. 333-188252, and incorporated herein by reference.

(5) Filed as an Appendix A to Proxy Statement of Registrant filed on September 17, 2013 and incorporated herein by reference.
(6) Filed as an exhibit to quarterly report on Form 10-Q for the quarter ended December 28, 2005 and incorporated herein by reference.
(7) Filed as an exhibit to quarterly report on Form 10-Q for the quarter ended March 29, 2006 and incorporated herein by reference.
(8) Filed as an exhibit to current report on Form 8-K dated March 12, 2015 and incorporated herein by reference.
(9) Filed as an exhibit to current report on Form 8-K dated August 18, 2016 and incorporated herein by reference.
(10) Portions filed herewith, to the extent indicated herein.
(11) Filed herewith.
(12) To be filed on or about September 28, 2016.

EXHIBIT 13

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

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

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

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

GENERAL

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

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

OVERVIEW

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

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

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

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

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

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

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

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

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

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

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

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

(a) As a percentage of company sales.

REVENUES

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

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

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

(a) Amounts are calculated based on 52 weeks.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

COSTS AND EXPENSES

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

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

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

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

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

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

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

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

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

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

INCOME TAXES

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

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

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Cash Flow Provided By Operating Activities

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

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

Cash Flow Used In Investing Activities

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

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

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

Cash Flow Used In Financing Activities

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

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

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

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

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

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

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

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

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

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

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

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

In August 2014, our Board of Directors authorized a $350.0 million increase to our existing share repurchase program resulting in total authorizations of $3,935.0 million. As of June 24, 2015, approximately $361 million was available under our share repurchase authorizations. Repurchased common stock is reflected as a reduction of shareholders' equity. During fiscal 2015, approximately 765,000 stock options were exercised resulting in cash proceeds of $16.3 million.

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

Cash Flow Outlook

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

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

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

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

	Amount of Revolving Credit Facility Expiration by Period (in thousands)				
	Total Commitment	Less than 1 year	1-3 Years	3-5 Years	More than 5 Years
Revolving credit facility	$ 750,000	$ 0	$ 0	$ 750,000	$ 0

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

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

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

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

IMPACT OF INFLATION

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

CRITICAL ACCOUNTING ESTIMATES

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

Stock-Based Compensation

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

Income Taxes

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

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

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

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

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

Impairment of Long-Lived Assets

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

Impairment of Goodwill

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

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

Self-Insurance

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

Gift Card Revenue

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

Recent Accounting Pronouncements

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

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

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

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

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

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

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

See accompanying notes to consolidated financial statements.

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

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

See accompanying notes to consolidated financial statements.

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

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

See accompanying notes to consolidated financial statements.

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

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

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Operations

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

(b) Basis of Presentation

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

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

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

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

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

(c) Use of Estimates

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

(d) Revenue Recognition

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

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

(e) Fair Value Measurements

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

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

(f) Cash and Cash Equivalents

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

(g) Accounts Receivable

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

(h) Inventories

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

(i) Property and Equipment

Property and equipment is stated at cost. Buildings and leasehold improvements are depreciated using the straight-line method over the lesser of the life of the lease, including certain renewal options, or the estimated useful lives of the assets, which range from 5 to 20 years. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years. Routine repair and maintenance costs are expensed when incurred. Major replacements and improvements are capitalized.

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

(j) Operating Leases

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

(k) Advertising

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

(l) Goodwill and Other Intangibles

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

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

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

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

(m) Liquor Licenses

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

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

(n) Sales Taxes

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

(o) Self-Insurance Program

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

(p) Income Taxes

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

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

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

(q) Stock-Based Compensation

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

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

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

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

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

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

(r) Preferred Stock

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

(s) Shareholders' Deficit

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

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

(t) Comprehensive Income

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

(u) Net Income Per Share

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

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

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

(v) Segment Reporting

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

2. ACQUISITION OF CHILI'S RESTAURANTS

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

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

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

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

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

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

3. EQUITY METHOD INVESTMENT

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

4. OTHER GAINS AND CHARGES

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

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

Fiscal 2016

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

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

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

Fiscal 2015

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

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

Fiscal 2014

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

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

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

5. GOODWILL AND INTANGIBLES

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

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

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

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

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

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

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

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

6. ACCRUED AND OTHER LIABILITIES

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

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

Other liabilities consist of the following (in thousands):

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

7. INCOME TAXES

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

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

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

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

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

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

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

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

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

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

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

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

8. DEBT

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

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

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

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

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

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

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

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

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

9. LEASES

(a) Capital Leases

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

(b) Operating Leases

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

Rent expense consists of the following (in thousands):

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

(c) Commitments

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

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

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

10. FAIR VALUE DISCLOSURES

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

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

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

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

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

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

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

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

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

(b) Other Financial Instruments

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

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

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

11. STOCK-BASED COMPENSATION

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

(a) Stock Options

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

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

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

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

(b) Restricted Share Awards

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

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

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

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

12. SAVINGS PLAN

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

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

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

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

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

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

14. COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

15. SEGMENT INFORMATION

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

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

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

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

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

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

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

(b) The equity method investment of the Mexican joint venture is included within Chili's segment assets. See Note 3 for additional disclosures.

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

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

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

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

16. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

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

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

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

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

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

17. SUBSEQUENT EVENTS

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

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

18. EFFECT OF NEW ACCOUNTING STANDARDS

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

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

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

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

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

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 29, 2016 and June 24, 2015, and the related consolidated statements of comprehensive income, shareholders' (deficit) equity, and cash flows for each of the years in the three-year period ended June 29, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

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

/s/ KPMG LLP

Dallas, TX

August 29, 2016

Report of Independent Registered Public Accounting Firm

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

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

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

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

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

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

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

/s/ KPMG LLP

Dallas, TX
August 29, 2016

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

/s/ WYMAN T. ROBERTS

WYMAN T. ROBERTS
President and Chief Executive Officer

/s/ THOMAS J. EDWARDS, JR

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

Exhibit 21

BRINKER INTERNATIONAL, INC., A DELAWARE CORPORATION
SUBSIDIARIES

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

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors

Brinker International, Inc.:

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

/s/ KPMG LLP

Dallas, Texas

August 29, 2016

Exhibit 31(a)

CERTIFICATION

I, Wyman T. Roberts, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: August 29, 2016

/S/ WYMAN T. ROBERTS

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

Exhibit 31(b)

CERTIFICATION

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

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

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

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

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

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

Dated: August 29, 2016

/S/ THOMAS J. EDWARDS, JR.

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

Exhibit 32(a)

CERTIFICATION

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

Dated: August 29, 2016

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

Exhibit 32(b)

CERTIFICATION

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

Dated: August 29, 2016

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

Exhibit 3

QuickLinks -- Click here to rapidly navigate through this document

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 24, 2009 | **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

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

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

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

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

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 ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. $1,019,741,370.

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

Class	Outstanding at August 12, 2009
Common Stock, $0.10 par value	102,143,399 shares

DOCUMENTS INCORPORATED BY REFERENCE

We have incorporated portions of our Annual Report to Shareholders for the fiscal year ended June 24, 2009 into Part II hereof, to the extent indicated herein. We have also incorporated by reference portions of our Proxy Statement for our annual meeting of shareholders on October 29, 2009, to be dated on or about September 15, 2009, into Part III hereof, to the extent indicated herein.

PART I

Item 1. BUSINESS.

General

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

We own, develop, operate and franchise the Chili's Grill & Bar ("Chili's"), On The Border Mexican Grill & Cantina ("On The Border"), and Maggiano's Little Italy ("Maggiano's") restaurant brands. The Company was organized under the laws of the State of Delaware in September 1983 to succeed to the business operated by Chili's, Inc., a Texas corporation, which was organized in August 1977. We completed the acquisitions of On The Border in May 1994 and Maggiano's in August 1995. We sold Macaroni Grill to Mac Acquisition LLC, an affiliate of San Francisco-based Golden Gate Capital, in December 2008 and purchased an 18.2% ownership interest in the new entity.

Restaurant Brands

Chili's Grill & Bar

Chili's is a recognized leader in the Bar & Grill category of casual dining. Hospitality has been the foundation of who we are and how we serve our guests for more than 34 years. Every day at Chili's locations around the world, our guests are greeted with "Welcome to Chili's".

Chili's menu features signature offerings such as Big Mouth Burgers and Bites, smoked in-house Baby Back Ribs, hand-battered Chicken Crispers, Sizzling Fajitas and our Triple Dipper Appetizer, to name just a few. Our all-day varied menu strives to have something for everyone and affordable selections during both lunch and dinner dayparts. We pride ourselves on offering substantial portions of flavorful, high quality food at affordable prices. In most of our Chili's restaurants, you will find a Margarita Bar serving a variety of specialty margaritas, including our signature Presidente Margarita, and a full selection of alcoholic beverages. Chili's also offers time-starved guests the convenience of great quality food, via our To-Go menu and separate To-Go entrances in the majority of our restaurants.

During the year ending June 24, 2009, entrée selections ranged in menu price from $5.99 to $16.99. The average revenue per meal, including alcoholic beverages, was approximately $13.27 per person. During this same year, food and non-alcoholic beverage sales constituted approximately 86.4% of Chili's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 13.6%. Our average annual sales volume per Chili's restaurant during this same year was $3.2 million.

On The Border Mexican Grill & Cantina

On The Border is a full-service, casual dining Mexican restaurant brand. Our new menu offers a wide variety of Mexican favorites, with a focus on fresh, signature and value-oriented Mexican items. The Create Your Own Combo proposition was enhanced to better meet the guest demand for relevant value and affordability with more fresh options. The updated menu also includes fresh new salads like our Citrus Chipotle Chicken Salad; a new, signature OTB Fresh Grill; a Fajita Grill with new, customizable, top-quality fajitas; and a refreshed OTB Taco Stand introducing indulgent items like Taco Melts and fresh classics like Grilled Mahi Mahi Tacos. The menu is complemented by a full offering of beverages like the Perfect Patron margarita, the Fresh, Shaken margarita and our new Sangria.

On The Border offers full bar service, in-restaurant dining and signature patio dining in all locations. On The Border also offers the convenience of a To-Go menu and To-Go entrance to expedite take-out service. In addition to To-Go, On The Border offers catering service, from simple drop-off delivery to full-service event planning.

During the year ending June 24, 2009, entrée selections ranged in menu price from $6.29 to $15.49. The average revenue per meal, including alcoholic beverages, was approximately $14.38 per person. During this same year, food and non-alcoholic beverage sales constituted approximately 81.8% of the On The Border's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 18.2%. Our average annual sales volume per On The Border restaurant during this same year was $2.8 million.

Maggiano's Little Italy

Maggiano's is a full-service, national, casual dining Italian restaurant brand with a passion for making people feel special. Each Maggiano's restaurant is a classic Italian-American restaurant in the style of New York's Little Italy in the 1940s. Our Maggiano's restaurants feature individual and family-style menus, and most of our restaurants also have extensive banquet facilities that can host large party events. We have a full lunch and dinner menu offering chef-prepared, classic Italian-American fare in the form of appetizers, entrées with bountiful portions of pasta, chicken, seafood, veal and prime steaks, and desserts. Our Maggiano's restaurants also offer a full range of alcoholic beverages, including a selection of quality premium wines. In addition, Maggiano's offers delivery service from simple drop-off to pre-event set-up.

During the year ending June 24, 2009, entrée selections ranged in menu price from $8.25 to $40.75. The average revenue per meal, including alcoholic beverages, was approximately $25.88 per person. During this same year, food and non-alcoholic beverage sales constituted approximately 81.6% of Maggiano's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 18.4%. Sales from our banquet facilities made up 19.9% of our total restaurant revenues for the year. Our average annual sales volume per Maggiano's restaurant during this same year was $8.3 million.

Business Strategy

Our long-term vision is to be the dominant, global casual-dining restaurant portfolio company. To achieve our vision, we are focused on building a business model that will enable us to achieve sustainable growth in a variety of economic environments in order to create long-term value for our shareholders. We believe the key to reaching this goal resides within our existing restaurants by leveraging the strong positioning and operating strength of our world-class brands to grow profitable ongoing comparable restaurant sales, while also growing our international presence. The basis of this business model is grounded in our five areas of focus:

- Hospitality;
- Food and beverage excellence;
- Restaurant atmosphere;
- Pace and convenience; and
- International expansion.

Our organization is focused on these five areas that are designed to grow our base business by engaging and delighting our guests, differentiating our brands from competitors throughout the industry, reducing the costs associated with managing our restaurants and establishing a strong presence in key markets around the world. We are monitoring our results closely, as well as the current business environment, in order to pace the implementation of our initiatives appropriately. Our goal is to emerge from the current economic recession with strong brands, a healthy balance sheet and improved operating profit.

We strongly believe disciplined investments in these five strategic priorities will strengthen our brands and allow us to improve our competitive position and deliver more profitable growth over the long term for our shareholders. For example, we believe that the craveable food and signature beverages as well as the flavors and offerings we continue to create at each of our brands, the warm, welcoming and revitalized atmospheres, and technologies and process improvements related to pace and convenience will give our guests new reasons to dine with us more often. Another top area of focus remains creating a culture of hospitality that will differentiate Brinker brands from all others in the industry. Through our investments in team member training and guest measurement programs, we are gaining significant traction in this area and providing our guests a reason to make our brands their preferred choice when dining out. And, with significant economic pressures in the United States as well as globally, international expansion allows further diversification of our portfolio, enabling us to build strength in a variety of markets and economic conditions. Presently, our growth is driven by cultivating relationships with joint venture partners and franchisees.

The casual dining industry is a highly competitive business which is sensitive to changes in economic conditions, trends in lifestyles and fluctuating costs. Our top priority remains increasing profitable traffic over time. We believe that this focus, combined with disciplined use of capital and efficient management of operating expenses, will enable us to maintain its position as an industry leader through the current economic recession. We remain confident in the financial health of our company, the long-term prospects of the industry, as well as in our ability to perform effectively in an extremely competitive marketplace and a variety of economic environments.

Franchise Development

In fulfilling our long-term vision, and being mindful of our five areas of focus, our restaurant brands will continue to expand primarily through our franchisees and joint venture partners.

As part of our strategy to expand through our franchisees, our overall percentage of franchise operations (domestically and internationally) increased in fiscal 2009. The following table illustrates the percentages of franchise operations as of June 24, 2009 for the Company and by restaurant brand:

	Percentage of Franchise Operated Restaurants (domestic and international)
Brinker	39%
Chili's	42%
On The Border	24%
Maggiano's	0%

International

We continue our international growth through development agreements with new and existing franchisees and joint venture partners introducing our brands into new countries, as well as expanding them in existing countries. At June 24, 2009, we had 42 total development arrangements. During the fiscal year 2009, our international franchisees opened 38 Chili's restaurants and five On The Border restaurants. In the same year, we entered into new or renewed development agreements with five franchisees for the development of 44 Chili's restaurants and six On The Border restaurants. The areas of development for these locations include all or portions of the countries Dominican Republic, Mexico, Oman, Puerto Rico, Russian Federation and United Arab Emirates.

As we develop our brands internationally, we will selectively pursue expansion through various means, including franchising and joint ventures. A typical international franchise development agreement provides for payment of development fees and franchise fees in addition to subsequent royalty fees based on the gross sales of each restaurant. We expect future development agreements to remain limited to enterprises having significant experience as restaurant operators and proven financial ability to support and develop multi-unit, as well as, in some instances, multi-brand operations.

Domestic

Domestic expansion is focused primarily through growth in our number of franchised restaurants. We are accomplishing this part of our growth through existing, new or renewed development obligations with new or existing franchisees. In addition, we have also sold and may sell company-owned restaurants to our franchisees (new or existing). At June 24, 2009, 22 total domestic development arrangements existed. Similar to our international franchise agreements, a typical domestic franchise development agreement provides for payment of development and initial franchise fees in addition to subsequent royalty and advertising fees based on the gross sales of each restaurant. We expect future domestic franchise development agreements to remain limited to enterprises having significant experience as restaurant operators and proven financial ability to support and develop multi-unit operations. In some instances, we have and may enter into development agreements for multiple brands with the same franchisee.

Domestic expansion efforts continue to focus not only on major metropolitan areas in the United States but also on smaller market areas and non-traditional locations (such as airports, college campuses, toll plazas, and food courts) that can adequately support our restaurant brands.

During the year ended June 24, 2009, not including any restaurants we sold to our franchisees, our domestic franchisees opened 27 Chili's restaurants and seven On The Border restaurants. We also entered into a new development agreement with an existing franchisee for the development of eight Chili's restaurants. The areas of development for these franchise locations include all or portions of the States of Illinois, Iowa, Minnesota, Missouri, North Dakota and South Dakota. In connection with this development agreement, we sold nine Company-owned Chili's restaurants to this franchisee.

Company Development

Our near-term focus continues to be less on domestic development of new company-operated restaurants than we have historically done, allowing us to focus on our other strategic initiatives and areas of focus. At such time as the business environment permits, we will evaluate development of new company-operated restaurants.

The following table illustrates the system-wide restaurants opened in fiscal 2009 and the planned openings in fiscal 2010:

	Fiscal 2009 Openings(1)	Fiscal 2010 Projected Openings
Chili's:		
Company-operated	8	—
Franchise(2)	27	15 - 20
On The Border:		
Company-operated	—	1
Franchise(2)	7	1 - 3
Maggiano's	2	1
International:		
Company-operated(3)	2	—
Franchise(3)	43	35 - 38
Total	89	53 - 63

(1) The numbers in this column are the total of new restaurant openings and openings of relocated restaurants during fiscal 2009.

(2) The numbers on this line for fiscal 2010 are projected domestic franchise openings.

(3) The numbers on this line are for all brands.

We periodically reevaluate company-owned restaurant sites to ensure that site attributes have not deteriorated below our minimum standards. In the event site deterioration occurs, each brand makes a concerted effort to improve the restaurant's performance by providing physical, operating and marketing enhancements unique to each restaurant's situation. If efforts to restore the restaurant's performance to acceptable minimum standards are unsuccessful, the brand considers relocation to a proximate, more desirable site, or evaluates closing the restaurant if the brand's measurement criteria, such as return on investment and area demographic trends, do not support relocation. Since inception, relating to our current restaurant brands, we have closed 225 restaurants, including 55 in fiscal 2009. We perform a comprehensive analysis that examines restaurants not performing at a required rate of return. A portion of these closed restaurants were performing below our standards or were near or at the expiration of their lease term. Our strategic plan is targeted to support our long-term growth objectives, with a focus on continued development of those restaurant brands that have the greatest return potential for the Company and our shareholders.

Our capital investment in new restaurants may differ in the future due to building design specifications, site location, and site characteristics. The following table illustrates the approximate average capital investment for company-owned restaurants opened in fiscal 2009:

	Chili's	On the Border(3)	Maggiano's
Land(1)	$ 1,215,000	—	$ 1,797,000
Building	1,940,000	—	4,695,000
Furniture & Equipment	525,000	—	1,265,000
Other(2)	55,000	—	36,000
Total	$ 3,735,000	—	$ 7,793,000

(1) This amount represents the average cost for land acquisition, capital lease values net of landlord contributions (or an equivalent amount for operating lease costs also net of landlord contributions) based on estimated lease payments and other costs that will be incurred through the term of the lease.

(2) This amount includes liquor licensing costs which can vary significantly depending on the jurisdiction where the restaurants are located.

(3) We did not open any On The Border restaurants in fiscal 2009. Average capital investment for an On The Border restaurant in fiscal 2008 varied due to differences in square footage: $1.6 million to $0.9 million for land, $1.8 million to $0.8 million for building, $0.5 for furniture and equipment and less than $0.1 million for other expenses.

Restaurant Management

In fiscal 2009, we made some significant organizational changes around our business model supporting our restaurant brands. These changes are designed to maximize our talent, streamline decision making to improve quality and productivity, prepare and allow us to move quickly and efficiently, bring more big ideas to our brands and ensure our guests experience The Power of Welcome each and every time they frequent our restaurants.

Specifically, our Chili's and On The Border brands share one president; one set of operational supervisors organized into geographic regions, not by brands; one franchise operations team; and blended finance, marketing and peopleworks teams. We have also designated one vice president to oversee our culinary teams and report to our Chief Marketing Officer. We believe these changes will not merge or change the unique identities of our brands, but will allow us to strengthen each brand by leveraging our shared services and adopting best practices across all brands. We continue to utilize common and shared infrastructure, including, among other services, accounting, information technology, purchasing, legal and restaurant development.

At the restaurant level, management structure varies by brand. The individual restaurants themselves are led by a management team including a general manager and, on average, between two to six additional managers. The level of restaurant supervision depends upon the operating complexity and sales volume of each brand and each location.

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

We ensure consistent quality standards in all brands through the issuance of operations manuals covering all elements of operations and food and beverage manuals, which provide guidance for preparation of brand-formulated recipes. Routine visitation to the restaurants by all levels of supervision enforces strict adherence to our overall brand standards and operating procedures.

Each brand is responsible for maintaining each brand's operational training program. The training program typically includes a three to four month training period for restaurant management trainees. We also provide continued management training for managers and supervisors to improve effectiveness or prepare them for more responsibility. Training teams consisting of groups of team members experienced in all facets of restaurant operations train team members to open new restaurants.

Purchasing

Our ability to maintain consistent quality throughout each of our restaurant brands depends upon acquiring products from reliable sources. Our pre-approved suppliers and our restaurants are required to adhere to strict product and safety specifications established through our quality assurance and culinary programs. These requirements ensure that high quality products are served in each of our restaurants. We strategically negotiate directly with major suppliers to obtain competitive prices. We also use purchase commitment contracts when appropriate to stabilize the potentially volatile pricing associated with certain commodity items. All essential products are available from pre-qualified distributors to be delivered to any of our restaurant brands. Additionally, as a purchaser of a variety of protein products, we do require our vendors to adhere to humane processing standards for their respective industries and encourage them to evaluate new technologies for food safety and humane processing improvements. 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

Our brands generally focus on the eighteen to fifty-four year-old age group, which constitutes approximately half of the United States population. Though members of this target segment grew up on fast food, we believe that for many meal occasions, these consumers value the benefits of the casual dining category, particularly the higher food quality and enhanced dining experience. To reach this target group, we use a mix of television, radio, print, outdoor or online advertising, with each of our restaurant brands utilizing one or more of these mediums to meet the brand's communication strategy and budget. Our brands have also developed and use to varying degrees sophisticated consumer marketing research techniques to monitor guest satisfaction and evolving expectations.

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

Team Members

At June 24, 2009, we employed approximately 77,100 team members, of whom approximately 700 were restaurant support center personnel, 4,600 were restaurant area directors, managers or trainees and 71,800 were employed in non-management restaurant positions. Our executive officers have an average of approximately 25 years of experience in the restaurant industry.

We consider our team member relations to be positive and continue to focus on improving our team member turnover rate. We use various tools and programs to help us hire our new team members. Some of these tools aid in determining if our prospective team members (hourly and management) have the proper skills for working at our restaurants. Most team members, other than restaurant management and restaurant support center personnel, are paid on an hourly basis. We believe that we provide working conditions and wages that compare favorably with those of our competition. Our team members are not covered by any collective bargaining agreements.

Trademarks

We have registered and/or have pending, among other marks, "Brinker International", "Chili's", "Chili's Bar & Bites", "Chili's Margarita Bar", "Chili's Southwest Grill & Bar", "Chili's Too", "On The Border", "On The Border Mexican Cafe", "On The Border Mexican Grill & Cantina", "Maggiano's", and "Maggiano's Little Italy", as trademarks with the United States Patent and Trademark Office.

Available Information

We maintain an internet website with the address of *http://www.brinker.com.* You may obtain, free of charge, at our website, copies of our reports filed with, or furnished to, the Securities and Exchange Commission (the "SEC") on Forms 10-K, 10-Q, and 8-K. Any amendments to such reports are also available for viewing and copying at our internet website. These reports will be available as soon as reasonably practicable after filing such material with, or furnishing it to, the SEC. In addition, you may view and obtain, free of charge, at our website, copies of our corporate governance materials, including, Corporate Governance Guidelines, Governance and Nominating Committee Charter, Audit Committee Charter, Compensation Committee Charter, Executive Committee Charter, Code of Conduct and Ethical Business Policy, and Problem Resolution Procedure/Whistle Blower Policy.

Item 1A. RISK FACTORS.

We wish to caution you that our business and operations are subject to a number of risks and uncertainties. The factors listed below are important factors that could cause actual results to differ materially from our historical results and from those projected in forward-looking statements contained in this report, in our other filings with the SEC, in our news releases, written or electronic communications, and verbal statements by our representatives.

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

Risks Related to Our Business

Competition may adversely affect our operations and financial results.

The restaurant business is highly competitive as to price, service, restaurant location, nutritional and dietary trends and food quality, and is often affected by changes in consumer tastes, economic conditions, population and traffic patterns. We compete within each market with locally-owned restaurants as well as national and regional restaurant chains, some of which operate more restaurants and have greater financial resources and longer operating histories than ours. There is active competition for management personnel and hourly team members. We face growing competition as a result of the trend toward convergence in grocery, deli and restaurant services, including the offering by the grocery industry of convenient meals in the form of improved entrees and side dishes, as well as the trend in quick service and fast casual restaurants toward higher quality food and beverage offerings. We compete primarily on the quality, variety and value perception of menu items, as well as the quality and efficiency of service, the attractiveness of facilities and the effectiveness of advertising and marketing programs.

The global economic crisis adversely impacted our business and financial results in fiscal 2009 and a prolonged recession could materially affect us in the future.

The restaurant industry is dependent upon consumer discretionary spending. The global economic crisis has reduced consumer confidence to historic lows impacting the public's ability and/or desire to spend discretionary dollars as a result of job losses, home foreclosures, significantly reduced home values, investment losses in the financial markets, personal bankruptcies and reduced access to credit, resulting in lower levels of guest traffic in our restaurants. If this difficult economic situation continues for a prolonged period of time and/or deepens in magnitude, our business, results of operations and ability to comply with the covenants under our credit facility could be materially affected. Continued deterioration in guest traffic and/or a reduction in the average amount guests spend in our restaurants will negatively impact our revenues. This will result in sales deleverage, spreading fixed costs across a lower level of sales, and will, in turn cause downward pressure on our profitability. The result could be further reductions in staff levels, asset impairment charges and potential restaurant closures. In addition, the adverse fiscal condition of any states where we operate restaurants could result in these state governments issuing IOUs rather than tax refunds or employee paychecks, which could affect guest spending patterns in these locations.

Future recessionary effects on us are unknown at this time and could have a potential material adverse effect on our financial position and results of operations. There can be no assurance that the government's plan to stimulate the economy will restore consumer confidence, stabilize the financial markets, increase liquidity and the availability of credit, or result in lower unemployment.

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

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

Inflation may increase our operating expenses.

We have experienced impact from inflation. Inflation has caused increased food, labor and benefits costs and has increased our operating expenses. We have in the recent past experienced increased food costs due to the diversion of food crop production to non-traditional uses, as well as increased food costs due to increased fuel costs for our vendors. As operating expenses increase, we, to the extent permitted by competition, recover increased costs by increasing menu prices, or by reviewing, then implementing, alternative products or processes, or by implementing other cost reduction procedures. We cannot ensure, however, that we will be able to continue to recover increases in operating expenses due to inflation in this manner.

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

We are subject to the Fair Labor Standards Act (which governs such matters as minimum wages, overtime and other working conditions), along with the Americans with Disabilities Act, the Immigration Reform and Control Act of 1986, various family leave mandates and a variety of other laws enacted, or rules and regulations promulgated by federal, state and local governmental authorities that govern these and other employment matters. We expect increases in payroll expenses as a result of federal and state mandated increases in the minimum wage, and although such increases are not expected to be material, we cannot assure you that there will not be material increases in the future. Enactment and enforcement of various federal, state and local laws, rules and regulations on immigration and labor organizations may adversely impact the availability and costs of labor for our restaurants in a particular area or across the United States. Other labor shortages or increased team member turnover could also increase labor costs. In addition, our vendors may be affected by higher minimum wage standards or availability of labor, which may increase the price of goods and services they supply to us.

Each of our and our franchisees' restaurants is also subject to licensing and regulation by alcoholic beverage control, health, sanitation, safety and fire agencies in the state, county and/or municipality where the restaurant is located. We are also subject to laws and regulations, which vary from jurisdiction to jurisdiction, relating to nutritional content and menu labeling. Compliance with these laws and regulations may lead to increased costs and operational complexity, changes in sales mix and profitability, and increased exposure to governmental investigations or litigation. We generally have not encountered any material difficulties or failures in obtaining and maintaining the required licenses and approvals that could impact the continuing operations of an existing restaurant, or delay or prevent the opening of a new restaurant. Although we do not, at this time, anticipate any occurring in the future, we cannot assure you that we or our franchisees will not experience material difficulties or failures that could impact the continuing operations of an existing restaurant, or delay the opening of restaurants in the future.

We are also subject to federal and state environmental regulations, and although these have not had a material negative effect on our operations, we cannot ensure that there will not be a material negative effect in the future. More stringent and varied requirements of local and state governmental bodies with respect to zoning, land use and environmental factors could delay, prevent or make cost prohibitive the continuing operations of an existing restaurant or the development of new restaurants in particular locations.

Our profitability may be adversely affected by increases in energy costs.

Our success depends in part on our ability to absorb increases in utility costs, in particular electricity and natural gas. Various regions of the United States in which we operate multiple restaurants have experienced in the recent past significant increases in utility prices. These increases have affected costs and if they occur again, it would have possible adverse effects on our profitability to the extent not otherwise recoverable through price increases or alternative products, processes or cost reduction procedures. Further, higher prices for petroleum-based fuels may be passed on to us by vendors putting further pressure on margins.

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

Possible shortages or interruptions in the supply of food items and other supplies to our restaurants caused by inclement weather, natural disasters such as floods, drought and hurricanes, the inability of our vendors to obtain credit in a tightened credit market, food safety warnings or advisories or the prospect of such pronouncements, or other conditions beyond our control could adversely affect the availability, quality and cost of items we buy and the operations of our restaurants. Our inability to effectively manage supply chain risk could increase our costs and limit the availability of products critical to our restaurant operations.

Successful mergers, acquisitions, divestitures and other strategic transactions are important to our future growth and profitability.

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

- the value, future growth potential, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates;
- our ability to achieve projected economic and operating synergies;
- unanticipated changes in business and economic conditions affecting an acquired business; and
- our ability to complete divestitures on acceptable terms and at or near the prices estimated as attainable by us.

If we are unable to meet our growth plan, our profitability in the future may be adversely affected.

Our ability to meet our growth plan is dependent upon, among other things, our and our franchisees' ability to:

- increase gross sales and operating profits at existing restaurants with food and beverage options and high quality service desired by our guests;
- identify adequate sources of capital to fund and finance strategic initiatives, including remodeling of existing restaurants and new restaurant development;
- identify available, suitable and economically viable locations for new restaurants;
- obtain all required governmental permits (including zoning approvals and liquor licenses) on a timely basis;
- hire all necessary contractors and subcontractors, obtain construction materials at suitable prices, and maintain construction schedules; and
- hire and train or retain qualified managers and team members for the restaurants.

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

We have significantly increased the percentage of restaurants owned and operated by our franchisees. This increase reduces our immediate control over these restaurants and may expose us to risks not otherwise encountered if we maintained ownership and control of same. These risks include franchisee defaults in their obligations to us arising from financial or other difficulties encountered by them, such as payments to us or maintenance and improvements obligations; limitations on enforcement of franchise obligations due to bankruptcy or insolvency proceedings; inability to participate in business strategy changes due to financial constraints; and failure to comply with food quality and preparation requirements subjecting us to litigation even when we are not legally liable for a franchisee's actions or failure to act.

Our sales volumes generally decrease in winter months.

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

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

Multi-unit restaurant businesses can be adversely affected by publicity resulting from poor food quality, illness or health concerns or operating issues stemming from one or a limited number of restaurants. In particular, since we depend heavily on the Chili's brand for a majority of our revenues, unfavorable publicity relating to one or more Chili's restaurants could have a material adverse effect on the Chili's brand, and consequently on our business, financial condition and results of operations.

We are dependent on information technology and any material failure of that technology could impair our ability to efficiently operate our business.

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

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

Some business processes that are dependent on technology are outsourced to third parties. Such processes include gift card tracking and authorization, credit card authorization and processing, insurance claims processing, certain payroll and payables processing, tax filings and other accounting processes. We make a diligent effort to ensure that all providers of outsourced services are observing proper internal control practices, such as redundant processing facilities; however, there are no guarantees that failures will not occur. Failure of third parties to provide adequate services could have an adverse effect on our results of operations, financial condition or ability to accomplish our financial and management reporting.

Disruptions in the financial markets may adversely impact the availability and cost of credit and consumer spending patterns.

The disruptions to the financial markets and continuing economic downturn has adversely impacted the availability of credit already arranged and the availability and cost of credit in the future. The disruptions in the financial markets also had an adverse effect on the U.S. and world economy, which has negatively impacted consumer spending patterns. There can be no assurance that various U.S. and world government present and future responses to the disruptions in the financial markets will restore consumer confidence, stabilize the markets or increase liquidity or the availability of credit.

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

We perform our annual goodwill impairment test in the second quarter of each fiscal year in accordance with the statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets." Interim goodwill impairment tests are also required when events or circumstances change between annual tests that would more likely than not reduce the fair value of our reporting units below their carrying value. It is possible that a change in circumstances such as the decline in the market price of our common stock or changes in consumer spending levels, or in the numerous variables associated with the judgments, assumptions and estimates made in assessing the appropriate valuation of our goodwill, could negatively impact the valuation of our brands and create the potential for a non-cash charge to recognize impairment losses on some or all of our goodwill. If we were required to write down a portion of our goodwill and record related non-cash impairment charges, our financial position and results of operations would be adversely affected.

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

We make certain estimates and projections with regards to individual restaurant operations, as well as our overall performance in connection with our impairment analyses for long-lived assets in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." An impairment charge is required when the carrying value of the asset exceeds the estimated fair value or undiscounted future cash flows of the asset. The projection of future cash flows used in this analysis requires the use of judgment and a number of estimates and projections of future operating results. If actual results differ from our estimates, additional charges for asset impairments may be required in the future. If impairment charges are significant, our results of operations could be adversely affected.

Failure to protect the integrity and security of individually identifiable data of our guests and teammates could expose us to litigation and damage our reputation.

We receive and maintain certain personal information about our guests and teammates. The use of this information by us is regulated at the federal and state levels, as well as by certain third party contracts. If our security and information systems are compromised or our business associates fail to comply with these laws and regulations and this information is obtained by unauthorized persons or used inappropriately, it could adversely affect our reputation, as well as operations, results of operations and financial condition, and could result in litigation against us or the imposition of penalties. As privacy and information security laws and regulations change, we may incur additional costs to ensure it remains in compliance.

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

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

Other risk factors may adversely affect our financial performance.

Other risk factors that could cause our actual results to differ materially from those indicated in the forward-looking statements by affecting, among many things, pricing, consumer spending and consumer confidence, include, without limitation, changes in economic conditions and financial and credit markets (including rising interest rates and costs for consumers and reduced disposable income); credit availability; increased costs of food commodities; increased fuel costs and availability for our team members, customers and suppliers; health epidemics or pandemics or the prospects of these events (such as reports on swine flu); consumer perceptions of food safety; changes in consumer tastes and behaviors; governmental monetary policies; changes in demographic trends; availability of employees; terrorist acts; energy shortages and rolling blackouts; and weather (including, major hurricanes and regional winter storms) and other acts of God.

Item 1B. UNRESOLVED STAFF COMMENTS.

None.

Item 2. PROPERTIES.

Restaurant Locations

At June 24, 2009, our system of company-owned and franchised restaurants included 1,689 restaurants located in 50 states, and Washington, D.C. We also have restaurants in the countries of Bahrain, Canada, Ecuador, Egypt, El Salvador, Germany, Guam, Guatemala, Honduras, India, Indonesia, Japan, Kuwait, Lebanon, Malaysia, Mexico, Oman, Peru, Philippines, Portugal, Puerto Rico, Qatar, Saudi Arabia, Singapore, South Korea, Taiwan, Turkey, United Arab Emirates and Venezuela. We have provided you a breakdown of ourportfolio of restaurants in the two tables below:

Table 1: Company-owned vs. franchise (by brand) as of June 24, 2009:

Chili's	
Company-owned	858
Franchise	627
On the Border:	
Company-owned	122
Franchise	38
Maggiano's	44
Total	1,689

Table 2: Domestic vs. foreign locations (by brand) as of June 24, 2009 (company-owned and franchised):

	Domestic (No. of States)	Foreign (No. of countries)
Chili's	1,292 (50)	193 (29)
On The Border	152 (37)	8 (5)
Maggiano's	44 (21 & D.C.)	None

Restaurant Property Information

The following table illustrates the approximate average dining capacity for each current prototypical restaurant in our restaurant brands:

	Chili's	On The Border	Maggiano's
Square Feet	3,930 - 5,450	3,600 - 5,690	12,000 - 17,000
Dining Seats	150 - 220	140 - 230	500 - 700
Dining Tables	35 - 50	42 - 55	100 - 150

The leases typically provide for a fixed rental plus percentage rentals based on sales volume. At June 24, 2009, we owned the land and building for 224 of our 1,024 company-operated restaurant locations. For these 224 restaurant locations, the net book value for the land was $180.0 million and for the buildings was $181.3 million. For the remaining 800 restaurant locations leased by us, the net book value of the buildings and leasehold improvements was $791.9 million. The 800 leased restaurant locations can be categorized as follows: 631 are ground leases (where we lease land only, but own the building) and 169 are retail leases (where we lease the land/retail space and building). We believe that our properties are suitable, adequate, well-maintained and sufficient for the operations contemplated. Some of our leased restaurants are leased for an initial lease term of 5 to 30 years, with renewal terms of 1 to 35 years.

Other Properties

We own an office building containing approximately 108,000 square feet which we use for part of our corporate headquarters and menu development activities. We lease an additional office complex containing approximately 198,000 square feet for the remainder of our corporate headquarters which is currently utilized by us or reserved for future expansion of our headquarters. Because of our operations throughout the United States, we also lease office space in Arizona, California, Colorado, Florida, Georgia, New Jersey and Texas for use as regional operation offices. The size of these office leases range from approximately 100 square feet to approximately 4,000 square feet.

Item 3. LEGAL PROCEEDINGS.

Certain current and former hourly restaurant employees filed a lawsuit against us in California Superior Court alleging violations of California labor laws with respect to meal and rest breaks. The lawsuit seeks penalties and attorneys' fees and was certified as a class action in July 2006. On July 22, 2008, the California Court of Appeals decertified the class action on all claims with prejudice. On October 22, 2008, the California Supreme Court granted writ to review the decision of the Court of Appeals. We intend to vigorously defend our position. It is not possible at this time to reasonably estimate the possible loss or range of loss, if any.

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

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

None.

PART II

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

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "EAT". Bid prices quoted represent 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 24, 2009:

	High	Low
First Quarter	$20.84	$16.75
Second Quarter	$18.01	$ 3.99
Third Quarter	$14.80	$ 8.30
Fourth Quarter	$19.33	$14.92

Fiscal year ended June 25, 2008:

	High	Low
First Quarter	$30.14	$26.21
Second Quarter	$28.30	$19.00
Third Quarter	$20.06	$15.32
Fourth Quarter	$23.86	$17.67

As of August 12, 2009, there were 877 holders of record of our common stock.

During the fiscal year ended June 24, 2009, we continued to declare quarterly cash dividends for our shareholders. We have set forth the dividends paid for the fiscal year in the following table:

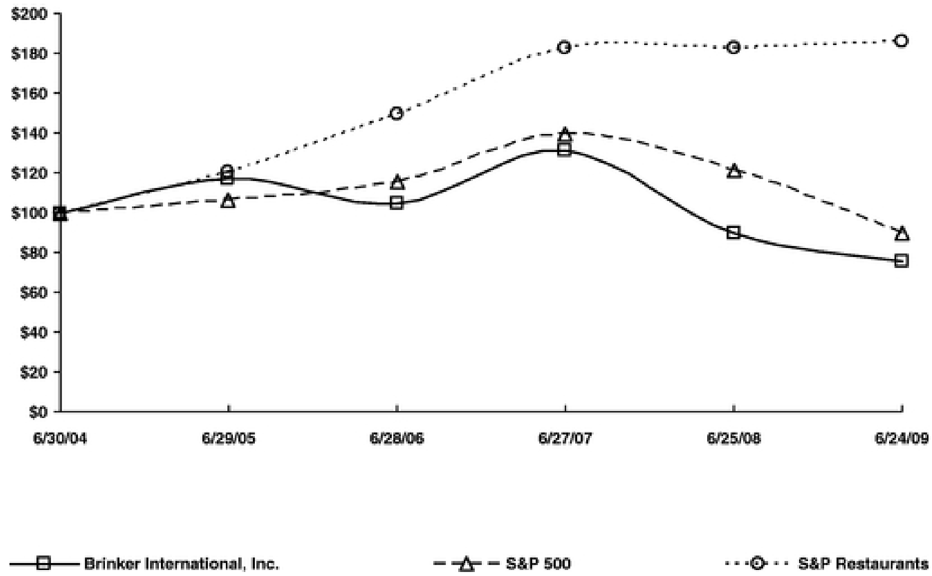
Dividend Per Share of Common Stock	Declaration Date	Record Date	Payment Date
$0.11	August 21, 2008	September 12, 2008	September 24, 2008
$0.11	October 30, 2008	December 4, 2008	December 17, 2008
$0.11	February 10, 2009	March 12, 2009	March 25, 2009
$0.11	May 28, 2009	June 15, 2009	June 24, 2009

The following graph compares the cumulative five-year total return provided shareholders on Brinker International, Inc.'s common stock relative to the cumulative total returns of the S&P 500 Index and the S&P Restaurants Index.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Brinker International, Inc., The S&P 500 Index

And The S&P Restaurants Index



The graph assumes a $100 initial investment and the reinvestment of dividends in our stock and each of the indexes on June 30, 2004 and its relative performance is tracked through June 24, 2009. The values shown are neither indicative nor determinative of future performance.

	2004	2005	2006	2007	2008	2009
Brinker International	$100.00	$116.71	$104.58	$131.06	$ 89.59	$ 75.45
S&P 500	$100.00	$106.32	$115.50	$139.28	$121.01	$ 89.29
S&P Restaurants(1)	$100.00	$120.54	$149.69	$182.28	$182.90	$185.18

(1) The S&P Restaurants Index is comprised of Darden Restaurants, Inc., McDonald's Corp., Starbucks Corp., Wendy's International, Inc., and Yum! Brands Inc.

Except as described in the immediately preceding paragraphs, during the three-year period ended on August 12, 2009, we issued no securities which were not registered under the Securities Act of 1933, as amended.

We continue to maintain our share repurchase program; however, activity in the fourth quarter of fiscal 2009 was minimal. During the fourth quarter, we repurchased shares as follows (in thousands, except share and per share amounts):

	Total Number of Shares Purchased(a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value that May Yet be Purchased Under the Program
March 26, 2009 through April 29, 2009	1,841	$ 11.24	—	$ 59,797
April 30, 2009 through May 27, 2009	170	$ 14.68	—	$ 59,797
May 28, 2009 through June 24, 2009	246	$ 16.27	—	$ 59,797
Total	2,257	$ 12.04	—	

(a) These amounts include shares owned and tendered by employees to satisfy tax withholding obligations on the vesting of restricted share awards, which are not deducted from shares available to be purchased under publicly announced programs. Unless otherwise indicated, shares owned and tendered by employees to satisfy tax withholding obligations were purchased at the closing price of the Company's shares on the date of vesting.

Item 6. SELECTED FINANCIAL DATA.

The information set forth in that section entitled "Selected Financial Data" in our 2009 Annual Report to Shareholders is presented on page F-1 of Exhibit 13 to this document. We incorporate that information in this document by reference.

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

The information set forth in that section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2009 Annual Report to Shareholders is presented on pages F-2 through F-12 of Exhibit 13 to this document. We incorporate that information in this document by reference.

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

The information set forth in that section entitled "Quantitative and Qualitative Disclosures About Market Risk" contained within "Management's Discussion and Analysis of Financial Condition and Results of Operations" is in our 2009 Annual Report to Shareholders presented on page F-12 of Exhibit 13 to this document. We incorporate that information in this document by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

We refer you to the Index to Financial Statements attached hereto on page 22 for a listing of all financial statements in our 2009 Annual Report to Shareholders. This report is attached as part of Exhibit 13 to this document. We incorporate those financial statements in this document by reference.

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

None.

Item 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

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

Management's Report on Internal Control over Financial Reporting

"Management's Report on Internal Control over Financial Reporting" and the attestation report of the independent registered public accounting firm of KPMG, LLP on internal control over financial reporting are in our 2009 Annual Report to Shareholders and are presented on pages F-35 through F-37 of Exhibit 13 to this document. We incorporate these reports in this document by reference.

Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during our fourth quarter ended June 24, 2009, that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION.

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

If you would like information about:

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

you should read the sections entitled "Election of Directors—Information About Nominees", "Committees of the Board of Directors", "Executiv Officers", and "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement to be dated on or about September 15, 2009, for the annual meeting of shareholders on October 29, 2009. We incorporate that information in this document by reference.

The Board of Directors has adopted a code of ethics that applies to all of the members of Board of Directors and all of our employees, including, the principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the code is posted on our internet website at the internet address: *http://www.brinker.com/corp_gov/ethical_business_ policy.asp*. You may obtain free of charge copies of the code from our website at the above internet address.

Item 11. EXECUTIVE COMPENSATION.

If you would like information about our executive compensation, you should read the section entitled "Executive Compensation—Compensatic Discussion and Analysis" in our Proxy Statement to be dated on or about September 15, 2009, for the annual meeting of shareholders on October 29, 2009. We incorporate that information in this document by reference.

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

If you would like information about our security ownership of certain beneficial owners and management and related stockholder matters, you should read the sections entitled "Director Compensation for Fiscal 2009", "Compensation Discussion and Analysis", and "Stock Ownership of Certain Persons" in our Proxy Statement to be dated on or about September 15, 2009, for the annual meeting of shareholders on October 29, 2009. We incorporate that information in this document by reference.

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

If you would like information about certain relationships and related transactions, you should read the section entitled "Compensation Committee Interlocks and Insider Participation" in our Proxy Statement to be dated on or about September 15, 2009, for the annual meeting of shareholders on October 29, 2009. We incorporate that information in this document by reference.

If you would like information about the independence of our non-management directors and the composition of the Audit Committee, Compensation Committee and Governance and Nominating Committee, you should read the sections entitled "Director Independence" and "Committees of the Board of Directors" in our Proxy Statement to be dated on or about September 15, 2009, for the annual meeting of shareholders on October 29, 2009. We incorporate that information in this document by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

If you would like information about principal accountant fees and services, you should read the section entitled "Ratification of Independent Auditors" in our Proxy Statement to be dated on or about September 15, 2009, for the annual meeting of shareholders on October 29, 2009. We incorporate that information in this document by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a)(1) Financial Statements.

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

(a)(2) Financial Statement Schedules.

None.

(a)(3) Exhibits.

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

SIGNATURES

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

BRINKER INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ CHARLES M. SONSTEBY

Charles M. Sonsteby,
Executive Vice President and
Chief Financial Officer

Dated: August 24, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, we have signed in our indicated capacities on August 24, 2009.

Name	Title
/s/ DOUGLAS H. BROOKS Douglas H. Brooks	Chairman of the Board, President, and Chief Executive Officer (Principal Executive Officer)
/s/ CHARLES M. SONSTEBY Charles M. Sonsteby	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ HARRIET EDELMAN Harriet Edelman	Director
/s/ MARVIN J. GIROUARD Marvin J. Girouard	Director
/s/ JOHN W. MIMS John W. Mims	Director
/s/ GEORGE R. MRKONIC George R. Mrkonic	Director
/s/ ERLE NYE Erle Nye	Director
/s/ JAMES E. OESTERREICHER James E. Oesterreicher	Director
/s/ ROSENDO G. PARRA Rosendo G. Parra	Director
/s/ CECE SMITH Cece Smith	Director

INDEX TO FINANCIAL STATEMENTS

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

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.(2)
4(a)	Form of 5.75% Note due 2014.(3)
4(b)	Indenture between the Registrant and Citibank, N.A., as Trustee.(4)
4(c)	Registration Rights Agreement by and among the Registrant, Citigroup Global Marketing, Inc., and J.P. Morgan Securities, Inc., as representatives of the initial named purchasers of the Notes.(4)
10(a)	Registrant's 1991 Stock Option Plan for Non-Employee Directors and Consultants.(5)
10(b)	Registrant's 1992 Incentive Stock Option Plan.(5)
10(c)	Registrant's Stock Option and Incentive Plan.(6)
10(d)	Registrant's 1999 Stock Option and Incentive Plan for Non-Employee Directors and Consultants.(7)
10(e)	Transition Agreement dated June 5, 2003, by and among Registrant, Brinker International Payroll Company, L.P. and Mr. Ronald A. McDougall.(8)
10(f)	Consulting Agreement dated August 26, 2004, by and between Registrant and Mr. Ronald A. McDougall.(9)
10(g)	Registrant's Performance Share Plan Description.(10)
10(h)	$215,000,000 Credit Agreement dated as of February 27, 2009, by and among Registrant, Brinker Restaurant Corporation, J.P. Morgan Chase Bank, N.A., J.P. Morgan Securities, Inc., Banc of America Securities, LLC, Bank of America, N.A., Compass Bank and Wells Fargo Bank, National Association(11)
10(i)	$400,000,000 Term Loan Agreement, dated as of October 24, 2007, by and among Registrant, Brinker Restaurant Corporation, Citibank, N.A., Citigroup Markets, Inc., J.P. Morgan Securities, Inc., Bank of America, N.A., JPMorgan Chase Bank N.A., Wachovia Bank, National Association, and the Bank of Tokyo-Mitsubishi UFJ, Ltd.(12)
13	2009 Annual Report to Shareholders.(13)
21	Subsidiaries of the Registrant.(14)
23	Consent of Independent Registered Public Accounting Firm.(14)
31(a)	Certification by Douglas H. Brooks, Chairman of the Board, President and Chief Executive Officer of the Registrant, pursuant to 17 CFR 240.13a—14(a) or 17 CFR 240.15d—14(a).(14)
31(b)	Certification by Charles M. Sonsteby, Executive Vice President and Chief Financial Officer of the Registrant, pursuant to 17 CFR 240.13a—14(a) or 17 CFR 240.15d—14(a).(14)
32(a)	Certification by Douglas H. Brooks, Chairman of the Board, President and Chief Executive Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.(14)
32(b)	Certification by Charles M. Sonsteby, Executive Vice President and Chief Financial Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.(14)

99(a) Proxy Statement of Registrant.(15)

(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 current report on Form 8-K dated May 28, 2009, and incorporated herein by reference.

(3) Included in exhibit 4(d) to annual report on Form 10-K for year ended June 30, 2004, and incorporated herein by reference.

(4) Filed as an exhibit to registration statement on Form S-4 filed June 25, 2004, SEC File No. 333-116879, and incorporated herein by reference.

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

(6) Filed as Appendix A to Proxy Statement of Registrant, filed on September 11, 2008, and incorporated herein by reference.

(7) Filed as an exhibit to quarterly report on Form 10-Q for the quarter ended December 28, 2005, and incorporated herein by reference.

(8) Filed as an exhibit to annual report on Form 10-K for the year ended June 25, 2003, and incorporated herein by reference.

(9) Filed as an exhibit to annual report on Form 10-K for the year ended June 30, 2004, and incorporated herein by reference.

(10) Filed as an exhibit to quarterly report on Form 10-Q for the quarter ended March 29, 2006, and incorporated herein by reference.

(11) Filed as an exhibit to quarterly report on Form 10-Q for the quarter ended March 25, 2009, and incorporated herein by reference.

(12) Filed as an exhibit to quarterly report on Form 10-Q for the quarter ended December 26, 2007, and incorporated herein by reference.

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

(14) Filed herewith.

(15) To be filed on or about September 15, 2009.

QuickLinks

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EXHIBIT 13

BRINKER INTERNATIONAL, INC.

SELECTED FINANCIAL DATA

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

	Fiscal Years				
	2009	2008	2007	2006	2005
Income Statement Data:					
Revenues	$ 3,620,580	$ 4,235,223	$ 4,376,904	$ 4,151,291	$ 3,749,539
Operating Costs and Expenses:					
Cost of sales	1,010,515	1,200,763	1,222,198	1,160,931	1,059,822
Restaurant expenses	2,050,653	2,397,908	2,435,866	2,283,737	2,085,529
Depreciation and amortization	161,800	165,229	189,162	190,206	179,908
General and administrative	152,591	170,703	194,349	207,080	153,116
Other gains and charges	134,787	203,950	(8,999)	(17,262)	52,779
Total operating costs and expenses	3,510,346	4,138,553	4,032,576	3,824,692	3,531,154
Operating income	110,234	96,670	344,328	326,599	218,385
Interest expense	33,330	45,862	30,929	22,857	25,260
Other, net	(9,834)	(4,046)	(5,071)	(1,656)	1,526
Income before provision for income taxes	86,738	54,854	318,470	305,398	191,599
Provision for income taxes	7,572	3,132	88,421	91,448	33,143
Income from continuing operations	79,166	51,722	230,049	213,950	158,456
(Loss) income from discontinued operations, net of taxes	—	—	—	(1,555)	1,763
Net income	$ 79,166	$ 51,722	$ 230,049	$ 212,395	$ 160,219
Basic net income per share:					
Income from continuing operations	$ 0.78	$ 0.50	$ 1.90	$ 1.66	$ 1.19
(Loss) income from discontinued operations	$ —	$ —	$ —	$ (0.01)	$ 0.02
Net income per share	$ 0.78	$ 0.50	$ 1.90	$ 1.65	$ 1.21
Diluted net income per share:					
Income from continuing operations	$ 0.77	$ 0.49	$ 1.85	$ 1.63	$ 1.14
(Loss) income from discontinued operations	$ —	$ —	$ —	$ (0.01)	$ 0.01
Net income per share	$ 0.77	$ 0.49	$ 1.85	$ 1.62	$ 1.15
Basic weighted average shares outstanding	101,852	103,101	121,062	128,766	132,795
Diluted weighted average shares outstanding	102,713	104,897	124,116	130,934	141,344
Balance Sheet Data:					
Working capital (deficit)(a)	$ (39,667)	$ (70,801)	$ 111,706	$ 246,649	$ 375,283
Total assets	1,948,947	2,193,122	2,318,021	2,221,779	2,156,124

Long-term obligations(a)		893,141		1,071,209		969,468		629,600		607,208
Shareholders' equity		646,924		595,089		805,089		1,075,832		1,100,282
Cash dividends per share	$	0.44	$	0.42	$	0.34	$	0.20	$	—
Number of Restaurants Open (End of Period):										
Company-operated		1,024		1,265		1,312		1,290		1,268
Franchised/Joint venture		665		623		489		332		320
Total		1,689		1,888		1,801		1,622		1,588

(a) Prior year amounts have been updated to conform with fiscal 2009 presentation.

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

GENERAL

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

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

OVERVIEW

We are principally engaged in the ownership, operation, development, and franchising of the Chili's Grill & Bar ("Chili's"), On The Border Mexican Grill & Cantina ("On The Border") and Maggiano's Little Italy ("Maggiano's") restaurant brands. At June 24, 2009, we owned, operated, or franchised 1,689 restaurants. We sold Romano's Macaroni Grill ("Macaroni Grill") to Mac Acquisition LLC ("Mac Acquisition"), an affiliate of San Francisco-based Golden Gate Capital, in December 2008 and purchased an 18.2% ownership interest in the new entity.

Fiscal 2009 was another challenging year for us and the casual dining industry. The economic environment significantly impacted our results; however, we are committed to strengthening our business model and improving profitability despite the significant challenges we currently face. We are focused on initiatives that will allow our business to operate as efficiently as possible and will allow us to maintain our position as an industry leader. We believe that the significant downturn in the economy, including financial market volatility, unemployment and the housing crisis will continue to negatively impact consumer confidence and put pressure on spending. Our negative traffic trends indicate that our guests are limiting discretionary spending by reducing the frequency of their visits to our restaurants or scaling back on check totals. We also experienced a decline in gift card sales of approximately 15% during the holiday season compared to the prior year which negatively impacted fiscal 2009 revenue. We will continually evaluate how we manage the business and make necessary changes in response to competition and the economic factors affecting the restaurant industry.

Our goal is to take actions that will enable us to emerge from this recession in a position of strength with a strong balance sheet and improved operating profit. We are exhibiting discipline in our capital allocation and are taking steps to create sustainable margin improvements through cost controls and operational efficiencies. These steps will help maintain the health of our balance sheet and will provide the stable financial base needed to maintain our business through a depressed operating environment. We are driving profit improvements through a disciplined approach to operations, company-owned new restaurant development and the closure of underperforming restaurants. Effective management of food costs and a focus on labor productivity and reducing fixed costs is helping us gain sustainable margin improvements. Our emphasis on the operations of our existing restaurants has resulted in lower turnover which has positively impacted labor cost and efficiency. Additionally, generating strong cash flows has long been one of our hallmarks and we have taken steps to solidify our cash flows to provide the necessary flexibility to address current challenges and help drive the business forward. We have completed the closure of underperforming restaurants in fiscal 2009 and reduced our fiscal 2009 capital expenditures by approximately $90 million from our initial plan. Virtually all company-owned domestic new restaurant development in fiscal 2010 has been curtailed; however, we will continue development under our international joint venture arrangements. Enhanced free cash flows resulting from our financial discipline and proceeds from the sale of Macaroni Grill have allowed us to reduce our debt levels and will provide flexibility for further debt reductions.

We are committed to our long term strategies and initiatives centered on our five areas of focus—hospitality; food and beverage excellence restaurant atmosphere; pace and convenience; and international expansion. These strategic priorities are designed to strengthen our brands and build on the long-term health of the company by engaging and delighting our guests, differentiating our brands from the competition, reducing the costs associated with managing our restaurants and establishing a strong presence in key markets around the world. However, we will monitor the results closely as well as the current business environment in order to pace the implementation of our initiatives appropriately.

We strongly believe investments in these five strategic priorities will strengthen our brands and allow us to improve our competitive position and deliver profitable growth over the long term for our shareholders. For example, we believe that the unique and delicious food and signature drinks; the new flavors and offerings we continue to create at each of our brands; and the warm, welcoming and revitalized atmospheres will give our guests new reasons to dine with us more often. Another top area of focus remains creating a culture of hospitality that will differentiate our brands from all others in the industry. Through our investments in team member training and guest measurement programs, we are gaining traction in this area and providing guests a reason to make our brands their preferred choice when dining out. We have recently combined the Chili's and On the Border leadership teams. This change was made to streamline decision making, enhance sharing of best practices and leverage our talent across the portfolio. We believe this structure will enhance our focus on actions that will improve the guest experience. And, with growing economic pressures in the United States and globally, international expansion allows further diversification of our portfolio, enabling us to build strength in a variety of markets and economic conditions. Our growth will be driven by cultivating relationships with franchisees and joint venture partners. Our growing percentage of franchise operations both domestically and internationally enable us to improve margins as royalty payments impact the bottom line.

The casual dining industry is a competitive business which is sensitive to changes in economic conditions, trends in lifestyles and fluctuating costs. Our top priority remains increasing profitable traffic over time. We believe that this focus, combined with discipline around the use of capital and efficient management of operating expenses, will enable us to maintain our position as an industry leader. We remain confident in the financial health of our company, the long-term prospects of the industry as well as in our ability to perform effectively in a competitive marketplace and a variety of economic environments.

RESULTS OF OPERATIONS FOR FISCAL YEARS 2009, 2008, AND 2007

The following table sets forth income and expense items as a percentage of total revenues for the periods indicated:

	Percentage of Total Revenues Fiscal Years		
	2009	2008	2007
Revenues	100.0%	100.0%	100.0%
Operating Costs and Expenses:			
Cost of sales	27.9%	28.4%	27.9%
Restaurant expenses	56.7%	56.6%	55.7%
Depreciation and amortization	4.5%	3.9%	4.3%
General and administrative	4.2%	4.0%	4.4%
Other gains and charges	3.7%	4.8%	(0.2)%
Total operating costs and expenses	97.0%	97.7%	92.1%
Operating income	3.0%	2.3%	7.9%
Interest expense	0.9%	1.1%	0.7%
Other, net	(0.3)%	(0.1)%	(0.1)%
Income before provision for income taxes	2.4%	1.3%	7.3%
Provision for income taxes	0.2%	0.1%	2.0%
Net income	2.2%	1.2%	5.3%

REVENUES

Revenues for fiscal 2009 decreased to $3,620.6 million, a 14.5% decrease from the $4,235.2 million generated for fiscal 2008. The decrease in revenue was primarily attributable to net declines in capacity at company-owned restaurants as well as a decrease in comparable restaurant sales across all brands as follows:

	Fiscal Year Ended June 24, 2009			
	Capacity	Price Increase	Mix Shift	Comparable Sales
Brinker International	(10.7)%	3.0%	(1.0)%	(6.0)%
Chili's	(1.6)%	3.2%	(0.8)%	(5.6)%
On The Border	(5.1)%	3.4%	(1.4)%	(4.4)%
Maggiano's	3.7%	1.5%	(2.2)%	(7.3)%
Macaroni Grill(1)	(14.6)%	2.8%	(1.1)%	(9.8)%

(1) Macaroni Grill capacity and comparable restaurant sales for the fiscal year ended June 24, 2009 includes the impact through the sale date of December 18, 2008.

Our capacity decreased 10.7% in fiscal 2009 (as measured by average-weighted sales weeks). The reduction in capacity was primarily due to the sale of 198 restaurants (189 of which were Macaroni Grills) and 55 restaurant closures (five of which were Macaroni Grills) during fiscal 2009, partially offset by the development of new company-owned restaurants. Including the impact of the sale of Macaroni Grill and other restaurant sales to franchisees, we experienced a net decrease of 241 company-owned restaurants since June 25, 2008.

Comparable restaurant sales decreased 6.0% in fiscal 2009 compared to fiscal 2008. The decrease in comparable restaurant sales resulted from a decline in guest traffic and unfavorable product mix shifts across all brands, partially offset by an increase in menu prices across all brands.

Revenues for fiscal 2008 decreased to $4,235.2 million, a 3.2% decrease from the $4,376.9 million generated for fiscal 2007. The decrease in revenue was primarily attributable to net declines in capacity at company-owned restaurants as well as a decrease in comparable restaurant sales as follows:

	Fiscal Year Ended June 25, 2008			
	Capacity	Price Increase	Mix Shift	Comparable Sales
Brinker International	(4.3)%	2.9%	0.5%	(0.5)%
Chili's	(5.9)%	3.1%	0.8%	0.8%
On The Border	5.5%	2.5%	(0.2)%	(3.3)%
Maggiano's	6.4%	2.8%	(1.9)%	0.4%
Macaroni Grill	(4.8)%	2.2%	1.1%	(4.4)%

Our capacity decreased 4.3% in fiscal 2008 primarily due to the sale of 95 Chili's restaurants to Pepper Dining, Inc. on June 27, 2007 as well as the sale of 76 Chili's restaurants to ERJ Dining IV, LLC during fiscal 2008. The reduction in capacity was also due to 44 restaurant closures (27 of which were Macaroni Grills) during fiscal 2008, partially offset by the development of new company-owned restaurants. Including the impact of restaurant sales to franchisees, we experienced a net decrease of 47 company-owned restaurants since June 27, 2007.

Comparable restaurant sales decreased 0.5% in fiscal 2008 compared to fiscal 2007. The decrease in comparable restaurant sales resulted from a decline in guest traffic across all brands and unfavorable product mix shifts at On The Border and Maggiano's. These decreases were partially offset by an increase in menu prices at all brands and favorable mix shifts at Chili's and Macaroni Grill.

COSTS AND EXPENSES

Cost of sales, as a percent of revenues, decreased 0.5% in fiscal 2009. Cost of sales was favorably impacted by decreased commodity usage from efforts to reduce waste, menu item changes, menu price increases and favorable product mix shifts, partially offset by unfavorable commodity price changes primarily in beef, poultry, produce and cooking oils. Cost of sales, as a percent of revenues, increased 0.5% in fiscal 2008 primarily due to increased inventory costs, partially offset by an increase in menu prices and an increase in franchise revenues. The cost increase was primarily driven by unfavorable pricing for beef, ribs, chicken, and dairy products. The increase was also due to unfavorable product mix shifts related to new menu items.

Restaurant expenses, as a percent of revenues, increased 0.1% in fiscal 2009 primarily driven by sales deleverage on fixed costs, partially offset by lower restaurant opening expenses due to fewer restaurant openings and lower labor costs due to efficiency improvements. Restaurant expenses, as a percent of revenues, increased 0.9% in fiscal 2008 primarily due to minimum wage increases and higher insurance costs. The increase was partially offset by a decrease in restaurant opening expenses.

Depreciation and amortization decreased $3.4 million in fiscal 2009. The decrease in depreciation expense was primarily driven by restaurant closures and fully depreciated assets, partially offset by an increase in depreciation due to remodel investments and the addition of new restaurants. Depreciation and amortization decreased $23.9 million in fiscal 2008. The decrease in depreciation expense was primarily due to the sale of restaurants to franchisees as well as the classification of Macaroni Grill assets as held for sale in September 2007, at which time the assets were no longer depreciated. These decreases were partially offset by the addition of new restaurants and remodel investments.

General and administrative expenses decreased $18.1 million in fiscal 2009. The decrease was primarily due to reduced salary expense from lower headcount driven by organizational changes and the sale of Macaroni Grill, a decrease in professional fees, and income related to transitional services provided to Macaroni Grill that offset the internal cost of providing the services. The decrease was partially offset by higher annual performance based compensation expense. General and administrative expenses decreased $23.6 million in fiscal 2008. The decrease was primarily due to lower annual performance and stock-based compensation expense as well as reduced salary and team member related expenses subsequent to a corporate restructuring that eliminated certain administrative positions during fiscal 2008.

Other gains and charges in fiscal 2009 includes a $71.2 million charge primarily related to long-lived asset impairments and lease termination charges resulting from the decision to close or decline lease renewals for 43 underperforming restaurants, including eight international restaurants, based on a comprehensive analysis that examined restaurants not performing at required levels of return. We recorded a goodwill impairment charge of $7.7 million as a result of the international restaurant closings. Additionally during fiscal 2009, we incurred a $14.3 million charge related to the impairment of long-lived assets associated with 16 underperforming restaurants based on the excess of the carrying amount of the long-lived assets over the estimated fair value. We also completed the sale of Macaroni Grill to Mac Acquisition and recorded a loss on the sale of $40.4 million. Lastly, we made some organizational changes designed to streamline decision making across our brands resulting in a $6.0 million net charge for severance and other costs. Other gains and charges in fiscal 2008 includes $155.7 million in charges related to the sale of Macaroni Grill primarily due to the write down of the brand's long-lived assets held for sale to estimated fair value less costs to sell. In addition, we made the decision to close or decline lease renewals for 61 restaurants based on a comprehensive analysis that examined restaurants not performing at required levels of return. As a result, we incurred a $51.1 million charge primarily related to the impairment of long-lived assets at these restaurants as well as lease obligation charges for the restaurants that closed in fiscal 2008. Additionally, we recorded a $7.5 million charge related to the impairment of long-lived assets associated with two underperforming restaurants based on the excess of the carrying amount of the long-lived assets over the estimated fair value. During fiscal 2008, we also made the decision to reduce future domestic company-owned restaurant development as well as discontinue certain projects that did not align with our strategic goals. As a result, we incurred a $13.2 million charge related to asset write-offs and a $7.2 million net charge for severance and other benefits. These charges were partially offset by a $29.7 million gain related to the sale of 76 company-owned Chili's restaurants to ERJ Dining IV, LLC. Other gains and charges in fiscal 2007 includes $19.1 million in gains related to the sale of company-owned restaurants to franchisees, including 95 Chili's restaurants to Pepper Dining, Inc. Also included is a $3.2 million gain related to the termination of interest rate swaps on an operating lease commitment. These gains were partially offset by a $12.9 million charge related to the impairment of long-lived assets at 13 restaurants as well as lease obligation charges for seven of the restaurants that closed during fiscal 2007.

Interest expense decreased $12.5 million in fiscal 2009 primarily due to lower average borrowing balances on our credit facilities and lower interest rates on our debt carrying variable interest rates, partially offset by a decrease in capitalized interest due to a reduction in company-owned restaurants developed in fiscal 2009 compared to fiscal 2008. Additionally, we repurchased and retired $10.0 million of the 5.75% notes at a discount in April 2009 and recorded a $1.3 million gain on the extinguishment of debt. Interest expense increased $14.9 million in fiscal 2008 primarily due to outstanding borrowings on our $400 million three-year term loan agreement used to fund share repurchases in fiscal 2007 and for general corporate purposes. The increase was partially offset by a decrease in interest rates on our debt carrying variable interest rates.

Other, net increased $5.8 million in fiscal 2009 primarily due to a gain from insurance proceeds. The increase was also attributed to lease income from Mac Acquisition as part of the sale agreement. Other, net decreased $1.0 million in fiscal 2008 due to the realized gains from the liquidation of our investments in mutual funds in fiscal 2007, partially offset by higher interest income on cash balances in our captive insurance company.

INCOME TAXES

The effective income tax rate was 8.7%, 5.7% and 27.8% for fiscal 2009, 2008 and 2007, respectively. The increase in the tax rate in fiscal 2009 was primarily due to an increase in profits before taxes driven by a decrease in other gains and charges, partially offset by a decline in operating profitability and the impact of nontaxable insurance proceeds. The decrease in the tax rate in fiscal 2008 was primarily due to a decrease in profits before taxes driven by an increase in other gains and charges, partially offset by prior year favorable settlement of certain tax audits and prior year benefits from state income tax planning.

LIQUIDITY AND CAPITAL RESOURCES

Our primary source of liquidity is cash flows generated from our restaurant operations. While our operating cash flows have decreased in the current year, we expect our ability to generate solid cash flows from operations to stabilize and remain strong into the future. Net cash provided by operating activities decreased to $274.5 million for fiscal 2009 from $361.5 million in fiscal 2008 primarily due to a decline in operating profitability as well as the timing of operational payments which was primarily due to the sale of Macaroni Grill, restaurant closures and the reduction of company-owned new restaurant development in the current year. This decrease was partially offset by the cash impact of recognizing the loss on the sale of Macaroni Grill in fiscal 2009 for tax purposes.

Capital expenditures consist of ongoing remodel investments, new restaurants under construction, purchases of new and replacement restaurant furniture and equipment, investments in information technology infrastructure, and purchases of land for future restaurant sites. Capital expenditures were $93.6 million for fiscal 2009 compared to $270.4 million for fiscal 2008. The reduction in capital expenditures is primarily due to a decrease in company-owned restaurants developed in fiscal 2009 compared to the prior year. We estimate that our capital expenditures during fiscal 2010 will be approximately $85 million and will be funded entirely by cash from operations.

In December 2008, we completed the sale of Macaroni Grill for cash proceeds of approximately $88.0 million and contributed $6.0 million for an 18.2% ownership interest in the new entity. In April 2009, we received a $6.0 million distribution representing substantially all of our equity investment in the entity while retaining our ownership interest.

Excluding the impact of assets held for sale, the working capital deficit decreased to $39.7 million at June 24, 2009 from $188.2 million at June 25, 2008 primarily due to the timing of operational payments related to the sale of Macaroni Grill, restaurant closures and the reduction of company-owned new restaurant development in the current year. The decrease was also due to the retention of cash to fund operational needs and the net tax effect of impairment charges and the loss on the sale of Macaroni Grill in fiscal 2009.

In fiscal 2009, we declared and paid quarterly dividends in the amount of $0.11 per share to common stock shareholders. Total dividends paid during fiscal 2009 were $45.4 million.

The Board of Directors has authorized a total of $2,060.0 million in share repurchases, which has been and will be used to return capital to shareholders and to minimize the dilutive impact of stock options and other share-based awards. As of June 24, 2009, approximately $60 million was available under our share repurchase authorizations. We did not repurchase any common shares under our share repurchase plan during fiscal 2009. We have currently placed a moratorium on share repurchases but, in the future, we may consider additional share repurchases under our plan based on several factors, including our cash position, share price, operational liquidity, and planned investment and financing needs.

As of June 25, 2008, we had credit facilities aggregating $550.0 million, consisting of a revolving credit facility of $300 million and uncommitted credit facilities of $250 million. In fiscal 2009, we completed the renewal of our revolving credit facility which was set to expire in October 2009. The new facility was reduced to $250 million, bears interest at LIBOR plus an applicable margin, which is a function of our credit rating at such time, but is subject to a maximum of LIBOR plus 3.75% and expires in February 2012. Based on our current credit rating, the revolving credit facility carries an interest rate of LIBOR plus 3.25%. The decision to downsize our total borrowing capacity under the new revolving credit facility was a result of the Macaroni Grill divestiture, reduced new company-owned restaurant development and our focus on debt repayment.

In fiscal 2009, Standard and Poor's ("S&P") reaffirmed our debt rating of BBB- (investment grade) with a stable outlook. However, Moody's downgraded our corporate family rating to Ba1 (non-investment grade) and our senior unsecured note rating to Ba2 (non-investment grade) with a stable outlook. Under the terms and conditions of our uncommitted credit facility agreements, we had to maintain an investment grade rating with both S&P and Moody's in order to utilize the credit facilities. As a result of our split rating, our uncommitted credit facilities totaling $250 million are no longer available and the spread over LIBOR has increased since prior year-end on our term loan to LIBOR plus 0.95% at June 24, 2009. Outstanding balances on the uncommitted credit facilities were repaid in the second quarter of fiscal 2009 with funds drawn on the revolving credit facility. The balance on the revolving credit facility was paid down to zero by the end of fiscal 2009. As of June 24, 2009, we have $250 million available to us under our revolving credit facility and we are in compliance with all financial debt covenants.

Our balance sheet is a primary focus as we have committed to reducing our leverage allowing us to retain the investment grade rating from S&P and ultimately regain our investment grade rating from Moody's. Cash payments on credit facilities and long-term debt in fiscal 2009 totaled $177.7 million. We currently plan to continue utilizing available free cash flow to pay down debt in fiscal 2010. We have also reduced capital expenditures for fiscal 2009, curtailed virtually all company-owned new restaurant development in fiscal 2010, placed a moratorium on all share repurchase activity, and kept dividends stable to ensure we maintain adequate cash flow to meet our current obligations and continue to pay down debt.

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

Payments due under our contractual obligations for outstanding indebtedness, purchase obligations as defined by the Securities and Exchange Commission ("SEC"), and the expiration of credit facilities as of June 24, 2009 are as follows:

	Payments Due by Period (in thousands)				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt(a)	$762,628	$ 16,675	$423,350	$322,603	$ —
Capital leases	78,887	5,039	10,363	10,758	52,727
Operating leases	723,659	108,646	199,233	163,565	252,215
Purchase obligations(b)	161,767	36,365	34,769	25,408	65,225

	Amount of Credit Facility Expiration by Period (in thousands)				
	Total Commitment	Less than 1 year	1-3 Years	3-5 Years	More than 5 Years
Credit facility	$ 250,000	$ —	$ 250,000	$ —	$ —

(a) Long-term debt consists of amounts owed on the three-year term loan, 5.75% notes, and accrued interest on fixed-rate obligations totaling $83.4 million. No amount was outstanding under the credit facility as of June 24, 2009.

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

In addition to the amounts shown in the table above, $27.7 million of unrecognized tax benefits have been recorded as liabilities in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). The timing and amounts of future cash payments related to the FIN 48 liabilities are uncertain.

IMPACT OF INFLATION

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

CRITICAL ACCOUNTING ESTIMATES

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

Stock Based Compensation

Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised 2004), "Share-Based Payment," ("SFAS 123R"), requires the measurement and recognition of compensation cost at fair value for all share-based payments, including stock options. We determine the fair value of our stock option awards using the Black-Scholes option valuation model. The Black-Scholes model requires judgmental assumptions including expected life and stock price volatility. We base our expected life assumptions on historical experience regarding option life. Stock price volatility is calculated based on historical prices and the expected life of the options. We determine the fair value of our performance shares using a Monte Carlo simulation model. The Monte Carlo method is a statistical modeling technique that requires highly judgmental assumptions regarding our future operating performance compared to our plan designated peer group in the future. The simulation is based on a probability model and market-based inputs that are used to predict future stock returns. We use the historical operating performance and correlation of stock performance to the S&P 500 composite index of us and our peer group as inputs to the simulation model. These historical returns could differ significantly in the future and as a result, the fair value assigned to the performance shares could vary significantly to the final payout. We believe the Monte Carlo simulation model provides the best evidence of fair value at the grant date and is an appropriate technique for valuing share-based awards under SFAS 123R. SFAS 123R also requires that we recognize compensation expense for only the portion of share-based awards that are expected to vest. Therefore, we apply estimated forfeiture rates that are derived from our historical forfeitures of similar awards.

Income Taxes

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

In the ordinary course of business, there may be many transactions and calculations where the ultimate tax outcome is uncertain. At the beginning of fiscal 2008, we adopted the provisions of FIN 48. The adoption of this standard was consistent with FASB Staff Position ("FSP") FIN 48-1, "Definition of Settlement in FASB Interpretation No. 48", that was issued in May 2007 and that provides guidance on how to determine whether a tax position is effectively settled for the purpose of recognizing unrecognized tax benefits.

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

Property and Equipment

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. The useful lives of the assets are based upon our expectations for the period of time that the asset will be used to generate revenues. We periodically review the assets for changes in circumstances, which may impact their useful lives.

Impairment of Long-Lived Assets and Goodwill

We review property and equipment for impairment when events or circumstances indicate that the carrying amount of a restaurant's assets may not be recoverable. We test for impairment using historical cash flows and other relevant facts and circumstances as the primary basis for our estimates of future cash flows. This process requires the use of estimates and assumptions, which are subject to a high degree of judgment. In addition, at least annually we assess the recoverability of goodwill related to our restaurant brands. This impairment test requires us to estimate fair values of our restaurant brands by making assumptions regarding future profits and cash flows, expected growth rates, terminal values, and other factors. In the event that these assumptions change in the future, we may be required to record impairment charges related to goodwill.

Self-Insurance

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

Recent Accounting Pronouncements

In December 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," ("SFAS 157"). SFAS 157 clarifies thedefinition of fair value, describes methods used to appropriately measure fair value, and expands fair value disclosure requirements, but does not change existing guidance as to whether or not an instrument is carried at fair value. For financial assets and liabilities, SFAS 157 is effective for fiscal years beginning after November 15, 2007, which required that we adopt these provisions in first quarter fiscal 2009. For nonfinancial assets and liabilities, SFAS 157 is effective for fiscal years beginning after November 15, 2008, which will require us to adopt these provisions in fiscal 2010. We do not expect the adoption of SFAS 157 to have a material impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations," ("SFAS 141R"). Under SFAS 141R, all busines combinations will be accounted for by applying the acquisition method. SFAS 141R requires most identifiable assets, liabilities, noncontrolling interests, and goodwill acquired in a business combination to be recorded at full fair value. SFAS 141R is effective for annual reporting periods beginning on or after December 15, 2008 and will be effective for us beginning in the first quarter of fiscal 2010 for business combinations occurring on or after the effective date.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of AR No. 51," ("SFAS 160").SFAS 160 will require noncontrolling interests (previously referred to as minority interests) to be treated as a separate component of equity, not as a liability or other item outside of permanent equity. The Statement applies to the accounting for noncontrolling interests and transactions with noncontrolling interest holders in consolidated financial statements. SFAS 160 is effective for periods beginning on or after December 15, 2008, which required that we adopt these provisions beginning in the third quarter of fiscal 2009. The adoption of SFAS 160 did not have a material impact on our financial statements.

In June 2008, the FASB issued FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." FSP EITF 03-6-1 provides that unvested share-based payment awards that contain nonforfeitable rights to dividends that are paid or unpaid are participating securities and shall be included in the computation of earnings per share based on the two-class method. The two-class method is an earnings allocation method for computing earnings per share when an entity's capital structure includes either two or more classes of common stock or common stock and participating securities. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008, which will require us to adopt these provisions in fiscal 2010. We do not expect the adoption of FSP EITF 03-6-1 to have a material impact on our financial statements.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("SFAS 165") which establishes the requirements for evaluating, recording and disclosing events or transactions occurring after the balance sheet date in an entity's financial statements. SFAS 165 is effective for interim and annual periods ending after June 15, 2009, which required that we adopt these provisions beginning in the fourth quarter of fiscal 2009. The adoption of SFAS 165 did not have a material impact on our financial statements.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles" ("SFAS 168"). SFAS 168 provides for the FASB Accounting Standards Codification (the "Codification") to become the single official source of authoritative, nongovernmental U.S. generally accepted accounting principles ("GAAP"). The Codification did not change GAAP but reorganizes the literature. SFAS 168 is effective for interim and annual periods ending after September 15, 2009, which will require us to adopt these provisions in the first quarter of fiscal 2010.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate risk on short-term and long-term financial instruments carrying variable interest rates. The variable rate financial instruments consist of the outstanding borrowings on our term loan and revolving credit facility. At June 24, 2009, $390.0 million was outstanding under the term loan and no amount was outstanding under the revolving credit facility. The impact on our annual results of operations of a one-point interest rate change on the outstanding balance of these variable rate financial instruments as of June 24, 2009 would be approximately $3.9 million. We may from time to time utilize interest rate swaps to manage overall borrowing costs and reduce exposure to adverse fluctuations in interest rates.

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

BRINKER INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

	Fiscal Years		
	2009	**2008**	**2007**
Revenues	$3,620,580	$4,235,223	$4,376,904
Operating Costs and Expenses:			
Cost of sales	1,010,515	1,200,763	1,222,198
Restaurant expenses	2,050,653	2,397,908	2,435,866
Depreciation and amortization	161,800	165,229	189,162
General and administrative	152,591	170,703	194,349
Other gains and charges	134,787	203,950	(8,999)
Total operating costs and expenses	3,510,346	4,138,553	4,032,576
Operating income	110,234	96,670	344,328
Interest expense	33,330	45,862	30,929
Other, net	(9,834)	(4,046)	(5,071)
Income before provision for income taxes	86,738	54,854	318,470
Provision for income taxes	7,572	3,132	88,421
Net income	$ 79,166	$ 51,722	$ 230,049
Basic net income per share	$ 0.78	$ 0.50	$ 1.90
Diluted net income per share	$ 0.77	$ 0.49	$ 1.85
Basic weighted average shares outstanding	101,852	103,101	121,062
Diluted weighted average shares outstanding	102,713	104,897	124,116
Cash dividends per share	$ 0.44	$ 0.42	$ 0.34

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	2009	2008
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 94,156	$ 54,714
Accounts receivable	49,509	52,304
Inventories	36,709	35,377
Prepaid expenses and other	96,436	106,183
Income taxes receivable	41,620	—
Deferred income taxes	50,785	71,595
Assets held for sale	—	135,850
Total current assets	369,215	456,023
Property and Equipment:		
Land	205,483	198,554
Buildings and leasehold improvements	1,577,694	1,571,601
Furniture and equipment	648,677	665,271
Construction-in-progress	10,559	35,104
	2,442,413	2,470,530
Less accumulated depreciation and amortization	(1,042,061)	(940,815)
Net property and equipment	1,400,352	1,529,715
Other Assets:		
Goodwill	130,719	140,371
Deferred income taxes	—	23,160
Other	48,661	43,853
Total other assets	179,380	207,384
Total assets	$ 1,948,947	$ 2,193,122
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current installments of long-term debt	$ 1,815	$ 1,973
Accounts payable	121,483	168,619
Accrued liabilities	285,584	331,878
Income taxes payable	—	5,946
Liabilities associated with assets held for sale	—	18,408
Total current liabilities	408,882	526,824
Long-term debt, less current installments	727,447	901,604
Deferred income taxes	4,295	—
Other liabilities	161,399	169,605
Commitments and Contingencies (Notes 10 and 14)		
Shareholders' Equity:		
Common stock—250,000,000 authorized shares; $.10 par value; 176,246,649 shares issued and 102,124,842 shares outstanding at June 24, 2009, and 176,246,649 shares issued and 101,316,461 shares outstanding at June 25, 2008	17,625	17,625
Additional paid-in capital	463,980	464,666
Accumulated other comprehensive loss	—	(168)
Retained earnings	1,834,307	1,800,300

		2,315,912		2,282,423
Less treasury stock, at cost (74,121,807 shares at June 24, 2009 and 74,930,188 shares at June 25, 2008)		(1,668,988)		(1,687,334)
Total shareholders' equity		646,924		595,089
Total liabilities and shareholders' equity	$	1,948,947	$	2,193,122

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount					
Balances at June 28, 2006	125,307	$ 17,625	$ 406,626	$ 1,602,786	$ (951,978)	$ 773	$ 1,075,832
Net income	—	—	—	230,049	—	—	230,049
Currency translation adjustment	—	—	—	—	—	(37)	(37)
Change in fair value of investments, net of tax	—	—	—	—	—	181	181
Realized gain on sale of investments, net of tax	—	—	—	—	—	(954)	(954)
Comprehensive income							229,239
Cash dividends ($0.34 per share)	—	—	—	(41,524)	—	—	(41,524)
Stock-based compensation	—	—	31,510	—	—	—	31,510
Purchases of treasury stock	(18,617)	—	—	—	(569,347)	—	(569,347)
Issuances of common stock	3,409	—	(15)	—	66,302	—	66,287
Tax benefit from stock options exercised	—	—	13,092	—	—	—	13,092
Issuance of restricted stock, net of forfeitures	28	—	(548)	—	548	—	—
Balances at June 27, 2007	110,127	17,625	450,665	1,791,311	(1,454,475)	(37)	805,089
Net income	—	—	—	51,722	—	—	51,722
Currency translation adjustment	—	—	—	—	—	(131)	(131)
Comprehensive income							51,591
Adjustment to initially apply FIN 48	—	—	—	847	—	—	847
Cash dividends ($0.42 per share)	—	—	—	(43,580)	—	—	(43,580)
Stock-based compensation	—	—	16,100	—	—	—	16,100
Purchases of treasury stock	(9,130)	—	(465)	—	(240,319)	—	(240,784)
Issuances of common stock	345	—	(2,472)	—	7,749	—	5,277
Tax benefit from stock options exercised	—	—	549	—	—	—	549
Forfeitures of restricted stock, net of issuances	(26)	—	289	—	(289)	—	—
Balances at June 25, 2008	101,316	17,625	464,666	1,800,300	(1,687,334)	(168)	595,089
Net income	—	—	—	79,166	—	—	79,166
Currency translation adjustment	—	—	—	—	—	(2,068)	(2,068)
Realized loss on currency translation	—	—	—	—	—	2,236	2,236
Comprehensive income							79,334
Cash dividends ($0.44 per share)	—	—	—	(45,159)	—	—	(45,159)
Stock-based compensation	—	—	17,518	—	—	—	17,518
Purchases of treasury stock	(30)	—	(3,116)	—	(623)	—	(3,739)
Issuances of common stock	816	—	(13,721)	—	18,371	—	4,650

Tax benefit from stock options exercised	—	—	(769)	—	—	—	(769)
Issuances of restricted stock, net of forfeitures	23	—	(598)	—	598	—	—
Balances at June 24, 2009	102,125	$ 17,625	$ 463,980	$ 1,834,307	$ (1,668,988)	$ —	$ 646,924

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Fiscal Years 2009	2008	2007
Cash Flows from Operating Activities:			
Net income	$ 79,166	$ 51,722	$ 230,049
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	161,800	165,229	189,162
Restructure charges and other impairments	91,791	225,945	13,812
Deferred income taxes	47,654	(68,064)	(18,823)
Loss (Gain) on sale of assets	37,178	(29,682)	(21,207)
Stock-based compensation	18,054	16,577	29,870
Other	(823)	283	(130)
Changes in assets and liabilities, excluding effects of acquisitions and dispositions:			
Accounts receivable	322	(972)	3,394
Inventories	(2,578)	(6,640)	3,229
Prepaid expenses and other	2,956	1,454	25,541
Other assets	1,545	459	(5,168)
Income taxes payable	(48,886)	2,581	(1,945)
Accounts payable	(43,512)	13,320	(1,978)
Accrued liabilities	(68,237)	(20,458)	19,966
Other liabilities	(1,895)	9,786	19,225
Net cash provided by operating activities	274,535	361,540	484,997
Cash Flows from Investing Activities:			
Payments for property and equipment	(93,613)	(270,413)	(430,532)
Proceeds from sale of assets	82,829	127,780	180,966
Decrease (Increase) in restricted cash	4,688	(34,435)	—
Payments for purchases of restaurants	—	(2,418)	—
Investment in equity method investee	(4,612)	(8,711)	—
Proceeds from sale of investments	—	—	5,994
Net cash used in investing activities	(10,708)	(188,197)	(243,572)
Cash Flows from Financing Activities:			
Net (payments) borrowings on credit facilities	(160,757)	(323,586)	338,188
Net proceeds from issuance of long-term debt	—	399,287	—
Payments on long-term debt	(19,735)	(1,062)	(12,979)
Purchases of treasury stock	(3,739)	(240,784)	(569,347)
Proceeds from issuances of treasury stock	4,650	5,277	66,287
Payments of dividends	(45,355)	(42,914)	(40,906)
Excess tax benefits from stock-based compensation	551	330	7,139
Net cash used in financing activities	(224,385)	(203,452)	(211,618)
Net change in cash and cash equivalents	39,442	(30,109)	29,807
Cash and cash equivalents at beginning of year	54,714	84,823	55,016

Cash and cash equivalents at end of year	$ 94,156	$ 54,714	$ 84,823

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Operations

We are principally engaged in the ownership, operation, development, and franchising of the Chili's Grill & Bar ("Chili's"), On The Border Mexican Grill & Cantina ("On The Border") and Maggiano's Little Italy ("Maggiano's") restaurant brands. At June 24, 2009, we owned, operated, or franchised 1,689 restaurants in the United States and 27 countries and two territories outside of the United States. We sold Romano's Macaroni Grill ("Macaroni Grill") to Mac Acquisition LLC ("Mac Acquisition"), an affiliate of San Francisco-based Golden Gate Capital, in December 2008 and purchased an 18.2% ownership interest in the new entity.

(b) Basis of Presentation

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

We have a 52/53 week fiscal year ending on the last Wednesday in June. Fiscal years 2009, 2008, and 2007, which ended on June 24, 2009, June 25, 2008, and June 27, 2007, respectively, each contained 52 weeks.

Certain prior year amounts in the accompanying consolidated financial statements have been reclassified to conform with fiscal 2009 presentation. These reclassifications have no effect on our net income or financial position as previously reported.

(c) Use of Estimates

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

(d) Revenue Recognition

We record revenue from the sale of food, beverages and alcohol as products are sold. Initial fees received from a franchisee to establish a new franchise are recognized as income when we have performed our obligations required to assist the franchisee in opening a new franchise restaurant, which is generally upon the opening of such restaurant. Continuing royalties, which are a percentage of net sales of franchised restaurants, are accrued as income when earned. Proceeds from the sale of gift cards are recorded as deferred revenue and recognized as income when the gift card is redeemed by the holder or the likelihood of redemption, based upon our historical redemption patterns, becomes remote.

(e) Financial Instruments

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Our financial instruments at June 24, 2009 and June 25, 2008 consist of cash equivalents, accounts receivable, and long-term debt. The fair value of cash equivalents and accounts receivable approximates their carrying amounts reported in the consolidated balance sheets. The fair value of the 5.75% notes, based on quoted market prices, totaled approximately $269.0 million and $283.4 million at June 24, 2009 and June 25, 2008, respectively. The fair value of capital lease obligations is based on the amount of future cash flows discounted using our expected borrowing rate for debt of comparable risk and maturity.

We are required by our insurers to collateralize a part of the self-insured portion of our workers' compensation and liability claims. We have satisfied these collateral requirements by depositing funds into an insurance escrow account and by issuing a cash secured letter of credit. Our total pledged collateral was $29.7 million as of June 24, 2009 and $34.4 million as of June 25, 2008. These cash balances have been classified as restricted and are included within prepaid expenses and other in the consolidated balance sheets (see Note 5).

We entered into interest rate swaps in December 2001 with the intent of hedging exposures to changes in value of certain fixed-rate lease obligations. These fair value hedges changed the fixed-rate interest component of an operating lease commitment for certain real estate properties entered into in November 1997 to variable-rate interest. We terminated our interest rate swaps in fiscal 2007 and recorded a $3.2 million gain, which is included in other gains and charges in the consolidated statements of income. At June 24, 2009 we do not have any outstanding derivative instruments.

(f) Accounts Receivable

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

(g) Inventories

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

(h) Property and Equipment

Property and equipment is stated at cost. Buildings and leasehold improvements are depreciated using the straight-line method over the lesser of the life of the lease, including renewal options, or the estimated useful lives of the assets, which range from 5 to 20 years. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years. Routine repair and maintenance costs are expensed when incurred. Major replacements and improvements are capitalized.

We evaluate property and equipment held and used in the business for impairment whenever events or changes in circumstances indicate that the carrying amount of a restaurant's assets may not be recoverable. An impairment is determined by comparing estimated undiscounted future operating cash flows for a restaurant to the carrying amount of its assets. If an impairment exists, the amount of impairment is measured as the excess of the carrying amount over the estimated discounted future

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

operating cash flows of the asset and the expected proceeds upon sale of the asset. Assets held for sale are reported at the lower of the carrying amount or fair value less costs to sell.

(i) Operating Leases

Rent expense for leases that contain scheduled rent increases is recognized on a straight-line basis over the lease term, including cancelable option periods where failure to exercise such options would result in an economic penalty such that the renewal appears reasonably assured. The straight-line rent calculation and rent expense includes the rent holiday period, which is the period of time between taking control of a leased site and the rent commencement date.

Contingent rents are generally amounts due as a result of sales in excess of amounts stipulated in certain restaurant leases and are included in rent expense as they are incurred. Landlord contributions are recorded when received as a deferred rent liability and amortized as a reduction of rent expense on a straight-line basis over the lesser of the lease term, including renewal options, or 20 years.

(j) Capitalized Interest

Interest costs capitalized during the construction period of restaurants were approximately $0.7 million, $3.7 million and $6.0 million during fiscal 2009, 2008, and 2007, respectively.

(k) Advertising

Advertising production costs are expensed in the period when the advertising first takes place. Other advertising costs are expensed as incurred. Advertising costs were $113.2 million, $133.6 million and $135.5 million in fiscal 2009, 2008, and 2007, respectively, and are included in restaurant expenses in the consolidated statements of income.

(l) Goodwill

Goodwill represents the residual purchase price after allocation to all other identifiable net assets acquired. Goodwill is not subject to amortization but is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," requires a two-step process for testing impairment of goodwill. First, the fair value of each reporting unit is compared to its carrying value to determine whether an indication of impairment exists. If an impairment is indicated, then the fair value of the reporting unit's goodwill is determined by allocating the unit's fair value to its assets and liabilities (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. The amount of impairment for goodwill is measured as the excess of its carrying value over its implied fair value. See Note 6 for additional disclosures related to goodwill.

(m) Sales Taxes

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Self-Insurance Program

We utilize a paid loss self-insurance plan for health, general liability and workers' compensation coverage. Predetermined loss limits have been arranged with insurance companies to limit our per occurrence cash outlay. Accrued liabilities include the estimated incurred but unreported costs to settle unpaid claims and estimated future claims.

We utilize a wholly-owned captive insurance company for our general liability and workers' compensation coverage. We make premium payments to the captive insurance company and accrue for claims costs based on the actuarially predicted ultimate losses, and the captive insurance company then pays administrative fees and the insurance claims.

(o) Income Taxes

Income taxes are accounted for under the asset and liability method prescribed by SFAS No. 109, "Accounting for 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.

(p) Stock-Based Compensation

Stock-based compensation is accounted for under SFAS No. 123 (Revised 2004), "Share-Based Payment," ("SFAS 123R"), which requires the measurement and recognition of compensation cost at fair value for all share-based payments, including stock options. Stock-based compensation expense for fiscal 2009, 2008 and 2007 includes compensation expense, recognized over the applicable vesting periods, for new share-based awards and for share-based awards granted prior to, but not yet vested, as of June 29, 2005. We record compensation expense using a graded-vesting schedule over the vesting period, or to the date on which retirement eligibility is achieved, if shorter (non-substantive vesting period approach).

Certain employees are eligible to receive stock options, performance shares, restricted stock and restricted stock units, while non-employee members of the Board of Directors are eligible to receive stock options, restricted stock and restricted stock units. Performance shares represent a right to receive shares of common stock upon satisfaction of performance goals or other specified metrics at the end of a three-year cycle. Performance shares are paid out in common stock and will be fully vested upon issuance. The fair value of performance shares is determined on the date of grant based on a Monte Carlo simulation model. The fair value of restricted stock and restricted stock units are based on our closing stock price on the date of grant.

Stock-based compensation expense totaled approximately $17.5 million, $15.6 million and $29.9 million for fiscal 2009, 2008 and 2007, respectively. The total income tax benefit recognized in the consolidated statements of income related to stock-based compensation was approximately $6.5 million, $6.1 million and $10.5 million during fiscal 2009, 2008 and 2007, respectively.

BRINKER INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The weighted average fair values of option grants were $5.52, $7.18 and $7.37 during fiscal 2009, 2008 and 2007, respectively. The fair value o stock options is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2009	2008	2007
Expected volatility	37.8%	23.6%	26.1%
Risk-free interest rate	2.9%	4.2%	4.6%
Expected lives	5 years	5 years	5 years
Dividend yield	2.8%	1.2%	1.1%

Expected volatility and the expected life of stock options are based on historical experience. The risk-free rate is based on the yield of a Treasury Note with a term equal to the expected life of the stock options.

(q) Preferred Stock

Our Board of Directors is authorized to provide for the issuance of 1.0 million preferred shares with a par value of $1.00 per share, in one or more series, and to fix the voting rights, liquidation preferences, dividend rates, conversion rights, redemption rights, and terms, including sinking fund provisions, and certain other rights and preferences. As of June 24, 2009, no preferred shares were issued.

(r) Shareholders' Equity

Our Board of Directors has authorized a total of $2,060.0 million of share repurchases. As of June 24, 2009, approximately $60 million was available under our share repurchase authorizations. We did not repurchase any common shares under our share repurchase plan during fiscal 2009. Our stock repurchase plan has been and will be used to return capital to shareholders and to minimize the dilutive impact of stock options and other share-based awards. We have currently placed a moratorium on share repurchases but, in the future, we may consider additional share repurchases under our plan based on several factors, including our cash position, share price, operational liquidity, and planned investment and financing needs. Repurchased common stock is reflected as a reduction of shareholders' equity.

(s) Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Fiscal 2009 comprehensive income consists of net income, currency translation adjustments and a realized loss on currency translation adjustments related to the closure of international company-owned restaurants (see Note 4). Fiscal 2008 comprehensive income consists of net income and currency translation adjustments. Fiscal 2007 comprehensive income consists of net income, currency translation adjustments, and the realized gain on the sale of our investments in mutual funds.

(t) 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

were exercised or converted into common stock. For the calculation of diluted net income per share, the basic weighted average number of shares is increased by the dilutive effect of stock options and restricted share awards, determined using the treasury stock method. We had approximately 7.4 million stock options and restricted share awards outstanding at June 24, 2009, 5.8 million stock options and restricted share awards outstanding at June 25, 2008, and 28,000 stock options and restricted share awards outstanding at June 27, 2007 that were not included in the dilutive earnings per share calculation because the effect would have been antidilutive.

(u) Segment Reporting

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" permits two or more operating segments to be aggregated into a single operating segment if they have similar economic characteristics and are similar in the following areas:

- The nature of products and services
- Nature of production processes
- Type or class of customer
- Methods used to distribute products or provide services
- The nature of the regulatory environment, if applicable

Our three brands have similar types of products, contracts, customers, and employees and all operate as full-service restaurants offering lunch and dinner in the casual-dining segment of the industry. In addition, we have similar long-term average margins across all of our brands. Therefore, we believe we meet the criteria for aggregating operating segments into a single reporting segment.

(v) Subsequent Events

We evaluated events occurring between the end of our most recent fiscal year and August 24, 2009, the date the financial statements were issued.

2. SALE OF MACARONI GRILL

In August 2008, we entered into an agreement with Mac Acquisition for the sale of Macaroni Grill. The assets and liabilities associated with these restaurants were classified as held for sale in the consolidated balance sheet for the fiscal year ended June 25, 2008. Macaroni Grill operating results were included in continuing operations for fiscal 2009 (through the sale date of December 18, 2008) and prior years in accordance with the reporting provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," as we will have involvement in the ongoing operations of Macaroni Grill. The sale was completed on December 18, 2008. We received cash proceeds of approximately $88.0 million and recorded a loss of $40.4 million in other gains and charges in the consolidated statement of income in fiscal 2009. The net assets sold totaled approximately $110 million and consisted primarily of property and equipment of $105 million. Assets previously held for sale of $21.3 million were retained by us and are included in property, plant and equipment as of June 24, 2009. The land and buildings related to these locations were leased to Mac Acquisition as part of the sale agreement.

2. SALE OF MACARONI GRILL (Continued)

On December 18, 2008, we contributed $6.0 million representing an 18.2% ownership interest in the new entity. We account for the investment under the equity method of accounting and record our share of the net income or loss from the investee within operating income since the operations of Macaroni Grill are similar to our ongoing operations. This amount is included in restaurant expense in our consolidated statements of income due to the immaterial nature of the amount. In April 2009, we received a $6.0 million distribution representing substantially all of our equity investment while retaining our ownership interest.

As part of the sale, we entered into an agreement with Mac Acquisition whereby we provide corporate support services for the new entity for one year following closing with an option for one additional year.

During fiscal 2008, we recorded impairment charges of $152.7 million to write-down the net assets of Macaroni Grill to their estimated fair value less costs to sell in accordance with SFAS 144. This amount has been included in other gains and charges in the consolidated statements of income. Our estimate of fair value was based on the executed purchase agreement.

3. OTHER EQUITY METHOD INVESTMENTS AND RESTAURANT DISPOSITIONS

In November 2007, we entered into an agreement with CMR, S.A.B. de C.V. for a joint venture investment in a new corporation to develop 50 Chili's and Maggiano's restaurants in Mexico. We made a $4.6 million and an $8.7 million capital contribution to the joint venture in fiscal 2009 and fiscal 2008, respectively. We account for the investment under the equity method of accounting and record our share of the net income or loss of the investee within operating income since the operations of the joint venture are similar to our ongoing operations. This amount has been included in restaurant expense in our consolidated statements of income due to the immaterial nature of the amount. At June 24, 2009, 16 Chili's restaurants were operating in the joint venture.

In May 2007, we entered into an agreement with ERJ Dining IV, LLC to sell 76 company-owned Chili's restaurants for approximately $121.9 million. The sale was completed in November 2007 and we recorded a gain of $29.7 million in other gains and charges in the consolidated statement of income in fiscal 2008. The net assets sold totaled approximately $88.2 million and consisted primarily of property and equipment of $86.4 million and goodwill of $2.7 million.

In January 2007, we entered into an agreement with Pepper Dining, Inc. to sell 95 company-owned Chili's restaurants for approximately $155.0 million. The sale was completed in June 2007 and we recorded a gain of $17.1 million in other gains and charges in the consolidated statement of income in fiscal 2007. The net assets sold totaled approximately $127.9 million and consisted primarily of property and equipment of $126.1 million and goodwill of $3.9 million.

4. OTHER GAINS AND CHARGES

	2009	2008	2007
Restaurant closure charges	$ 71,178	$ 51,143	$ 12,854
Charges related to the sale of Macaroni Grill (see Note 2)	40,362	155,661	—
Restaurant impairment charges	14,254	7,450	—
Impairment of goodwill	7,713	—	—
Severance and other benefits	6,047	7,237	—
Gains on the sale of assets, net (also see Note 3)	(3,861)	(29,684)	(19,116)
Development-related costs	—	13,223	—
Other gains and charges, net	(906)	(1,080)	(2,737)
	$134,787	$203,950	$ (8,999)

In fiscal 2009, we recorded $71.2 million in charges primarily related to long-lived asset impairments resulting from the decision to close or decline lease renewals for 43 company-owned restaurants, including eight international restaurants. The charges related to the domestic restaurant closures include $44.2 million of long-lived asset impairments, $14.1 million in lease termination charges and $1.2 million of charges related to the write-off of other assets and liabilities. The charges related to the international restaurant closures include $5.6 million of long-lived asset impairments and $2.1 million of charges related to realized foreign currency translation losses. Additionally, we recorded a goodwill impairment charge of $7.7 million as a result of the international restaurant closings. The decision to close the restaurants and decline lease renewals was based on a comprehensive analysis that examined restaurants not performing at required levels of return.

Additionally, we recorded a $14.3 million charge in fiscal 2009 related to the impairment of long-lived assets associated with 16 underperforming restaurants. The impairment charge was measured as the excess of the carrying amount of the long-lived assets over the fair value based on projected discounted future operating cash flows of the restaurant.

In fiscal 2009, we made organizational changes designed to streamline decision making and maximize our leadership talent while achieving better operational efficiencies across our brands. As a result, we incurred $6.0 million in severance and other benefits, net of income related to the forfeiture of stock-based compensation awards resulting from these actions. We also incurred gains of $3.9 million related to the sale of nine restaurants to a franchisee and other land sales.

In fiscal 2008, we recorded $51.1 million in charges primarily related to long-lived asset impairments resulting from the decision to close or decline lease renewals for 61 company-owned restaurants. The charges include $39.8 million of long-lived asset impairments and $9.3 million in lease obligation charges. The decision to close the restaurants and decline lease renewals was based on a comprehensive analysis that examined restaurants not performing at required levels of return. Also included is a $1.9 million charge related to the decrease in the estimated sales value of land associated with previously closed restaurants. Additionally, we recorded a $7.5 million charge related to the impairment of long-lived assets associated with two underperforming restaurants. The impairment charge was measured as the excess of the carrying amount of the long-lived assets over the fair value based on projected discounted future operating cash flows of the restaurants.

BRINKER INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. OTHER GAINS AND CHARGES (Continued)

In fiscal 2008, we also made the decision to reduce future domestic company-owned restaurant development as well as discontinue certain projects that did not align with our strategic goals. As a result, we evaluated our infrastructure needed to support this evolving business model, which resulted in the restructuring of our Restaurant Support Center and the elimination of certain administrative positions. In connection with these actions, we incurred $13.2 million in charges related to asset write-offs for sites under development and other discontinued projects. In addition, we incurred approximately $7.2 million in severance, vacation and other benefits, net of income related to the forfeiture of stock-based compensation awards.

In fiscal 2007, we recorded $12.9 million in charges resulting from the decision to close 13 restaurants. The charges include $10.7 million of long-lived asset impairments and $2.2 million in lease termination charges.

5. PREPAID EXPENSES AND OTHER

Prepaid expenses and other consist of the following (in thousands):

	2009	2008
Prepaid opening supplies	$40,842	$ 41,543
Restricted cash (see Note 1)	29,749	34,435
Other	25,845	30,205
	$96,436	$106,183

6. GOODWILL

The changes in the carrying amount of goodwill for the fiscal years ended June 24, 2009 and June 25, 2008 are as follows (in thousands):

	2009	2008
Balance at beginning of year	$140,371	$138,876
Impairment of goodwill (see Note 4)	(7,713)	—
Goodwill arising from acquisitions	—	1,357
Other	(1,939)	138
Balance at end of year	$130,719	$140,371

BRINKER INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. ACCRUED AND OTHER LIABILITIES

Accrued liabilities consist of the following (in thousands):

	2009	2008
Payroll	$ 72,510	$ 94,389
Gift cards	74,926	85,897
Property tax	23,160	32,996
Insurance	30,021	32,512
Sales tax	23,991	30,433
Other	60,976	55,651
	$285,584	$331,878

Other liabilities consist of the following (in thousands):

	2009	2008
Straight-line rent	$ 59,198	$ 57,099
Insurance	42,361	43,146
Landlord contributions	31,137	30,907
Unrecognized tax benefits	21,783	23,701
Other	6,920	14,752
	$161,399	$169,605

8. INCOME TAXES

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

	2009	2008	2007
Current income tax expense (benefit):			
Federal	$(40,988)	$ 59,500	$ 94,418
State	(1,166)	10,959	13,259
Foreign	1,808	1,808	1,431
Total current income tax expense (benefit)	(40,346)	72,267	109,108
Deferred income tax expense (benefit):			
Federal	41,878	(62,646)	(18,756)
State	6,040	(6,489)	(1,931)
Total deferred income tax expense (benefit)	47,918	(69,135)	(20,687)
	$ 7,572	$ 3,132	$ 88,421

BRINKER INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. INCOME TAXES (Continued)

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

	2009	2008	2007
Income tax expense at statutory rate	$ 30,358	$ 19,197	$111,465
FICA tax credit	(21,244)	(23,835)	(23,307)
State income taxes, net of Federal benefit	3,169	2,902	7,363
Tax settlements	—	—	(6,790)
Stock-based compensation	(5)	(289)	576
Other	(4,706)	5,157	(886)
	$ 7,572	$ 3,132	$ 88,421

The income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities as of June 24, 2009 and June 25, 2008 are as follows (in thousands):

	2009	2008
Deferred income tax assets:		
Leasing transactions	$ 38,936	$ 43,740
Stock-based compensation	19,351	19,601
Restructure charges and impairments	12,317	54,681
Insurance reserves	3,974	4,590
Employee benefit plans	1,055	2,019
Federal credit carryforward	18,188	—
Other, net	22,300	21,385
Total deferred income tax assets	$116,121	$146,016
Deferred income tax liabilities:		
Prepaid expenses	15,197	19,810
Goodwill and other amortization	17,976	15,768
Depreciation and capitalized interest on property and equipment	28,649	5,969
Captive insurance	1,335	2,998
Other, net	6,474	6,716
Total deferred income tax liabilities	69,631	51,261
Net deferred income tax asset	$ 46,490	$ 94,755

At June 24, 2009, we had approximately $18.2 million of U.S. Federal general business credit carryforwards. These tax credits will expire in fiscal 2029. It is anticipated that these credits will be fully utilized prior to their expiration.

Tax reserves are evaluated and adjusted as appropriate, while taking into account the progress of audits of various taxing jurisdictions. At the beginning of fiscal 2008, we adopted the provisions of the Financial Accounting Standards Board's ("FASB") Interpretation No. 48, "Accounting for Uncertainty in

8. INCOME TAXES (Continued)

Income Taxes" ("FIN 48"). The adoption of this standard was consistent with FASB Staff Position FIN 48-1, "Definition of Settlement in FASB Interpretation No. 48", that was issued in May 2007 and that provides guidance on how to determine whether a tax position is effectively settled for the purpose of recording unrecognized tax benefits. As a result of the adoption of FIN 48 we recognized an $847,000 decrease in the liability for unrecognized tax benefits, net of the Federal deferred tax benefit, with a corresponding increase to retained earnings.

A reconciliation of unrecognized tax benefits for the fiscal years ended June 24, 2009 and June 25, 2008 are as follows (in thousands):

	2009	2008
Balance at beginning of year	$27,139	$23,193
Additions based on tax positions related to the current year	4,130	5,587
(Reductions) additions based on tax positions related to prior years	(91)	57
Settlements with tax authorities	(4)	(1,081)
Expiration of statute of limitations	(3,463)	(617)
Balance at end of year	$27,711	$27,139

The total amount of unrecognized tax benefits as of June 24, 2009 was $27.7 million ($20.3 million of which would favorably affect the effective tax rate if resolved in our favor due to the effect of deferred tax benefits). During the next twelve months, we anticipate that it is reasonably possible that the amount of unrecognized tax benefits could be reduced by approximately $5.9 million ($4.7 million of which would affect the effective tax rate due to the effect of deferred tax benefits) either because our tax position will be sustained upon audit or as a result of the expiration of the statute of limitations for specific jurisdictions.

We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense. In fiscal 2009 we recognized approximately $0.9 million in interest, compared to $1.3 million in fiscal 2008. As of June 24, 2009, we had $6.3 million ($4.5 million net of a $1.8 million deferred tax benefit) of interest and penalties accrued, compared to $5.3 million ($3.8 million net of a $1.5 million deferred tax benefit) at June 25, 2008.

9. DEBT

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

	2009	2008
Term loan	$390,000	$400,000
Credit facilities	—	158,000
5.75% notes	289,253	299,070
Capital lease obligations (see Note 10)	50,009	46,507
	729,262	903,577
Less current installments	(1,815)	(1,973)
	$727,447	$901,604

9. DEBT (Continued)

As of June 25, 2008, we had credit facilities aggregating $550 million, consisting of a revolving credit facility of $300 million and uncommitted credit facilities of $250 million. In fiscal 2009, we completed the renewal of our revolving credit facility which was set to expire in October 2009. The new facility was reduced to $250 million, bears interest at LIBOR plus an applicable margin, which is a function of our credit rating at such time, but is subject to a maximum of LIBOR plus 3.75% and expires in February 2012. Based on our current credit rating, the revolving credit facility carries an interest rate of LIBOR plus 3.25% (3.56% as of June 24, 2009), although no balance was outstanding under this facility at June 24, 2009. The decision to downsize our total borrowing capacity under the new revolving credit facility was a result of the Macaroni Grill divestiture, reduced new company-owned restaurant development and our focus on debt repayment.

In fiscal 2009, Standard and Poor's ("S&P") reaffirmed our debt rating of BBB- (investment grade) with a stable outlook. However, Moody's downgraded our corporate family rating to Ba1 (non-investment grade) and our senior unsecured note rating to Ba2 (non-investment grade) with a stable outlook. Under the terms and conditions of our uncommitted credit facility agreements, we had to maintain an investment grade rating with both S&P and Moody's in order to utilize the credit facilities. As a result of our split rating, our uncommitted credit facilities totaling $250 million are no longer available. Outstanding balances on the uncommitted credit facilities were repaid in the second quarter of fiscal 2009 with funds drawn on the revolving credit facility. The balance on the revolving credit facility was paid down to zero by the end of fiscal 2009. As of June 24, 2009, we have $250 million available to us under our revolving credit facility.

In October 2007, we entered into a three-year term loan agreement for $400 million. The term loan bears interest at LIBOR plus an applicable margin, which is a function of our credit rating at such time, but is subject to a maximum of LIBOR plus 1.5% and expires in October 2010. At June 24, 2009, $390 million was outstanding and, based on our current credit rating, we are paying interest at a rate of LIBOR plus 0.95% (1.26%).

In May 2004, we issued $300.0 million of 5.75% notes and received proceeds totaling approximately $298.4 million prior to debt issuance costs. The notes require semi-annual interest payments and mature in June 2014. In April 2009, we repurchased and retired $10.0 million of the notes at a discount and recorded a $1.3 million gain on the extinguishment of debt in interest expense in the consolidated statement of income in fiscal 2009.

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

9. DEBT (Continued)

Excluding capital lease obligations (see Note 10) our long-term debt maturities for the five years following June 24, 2009 are as follows (in thousands):

Fiscal Year	Long-Term Debt
2010	$ —
2011	390,000
2012	—
2013	—
2014	—
Thereafter	289,253
	$679,253

10. LEASES

(a) Capital Leases

We lease certain buildings under capital leases. The asset value of $36.9 million at June 24, 2009 and $32.6 million at June 25, 2008, and the related accumulated amortization of $10.6 million and $9.1 million at June 24, 2009 and June 25, 2008, respectively, are included in property and equipment. Amortization of assets under capital leases is included in depreciation and amortization expense.

(b) Operating Leases

We lease restaurant facilities, office space, and certain equipment under operating leases having terms expiring at various dates through fiscal 2093. The restaurant leases have renewal clauses of 1 to 35 years at our option and, in some cases, have provisions for contingent rent based upon a percentage of sales in excess of specified levels, as defined in the leases. Rent expense for fiscal 2009, 2008, and 2007 was $130.7 million, $145.6 million, and $149.1 million, respectively. Contingent rent included in rent expense for fiscal 2009, 2008, and 2007 was $6.6 million, $9.0 million, and $10.9 million, respectively.

10. LEASES (Continued)

(c) Commitments

As of June 24, 2009, future minimum lease payments on capital and operating leases were as follows (in thousands):

Fiscal Year	Capital Leases	Operating Leases
2010	$ 5,039	$108,646
2011	5,133	103,514
2012	5,230	95,719
2013	5,329	87,266
2014	5,429	76,299
Thereafter	52,727	252,215
Total minimum lease payments	78,887	$723,659
Imputed interest (average rate of 7%)	(28,878)	
Present value of minimum lease payments	50,009	
Less current installments	(1,815)	
	$ 48,194	

As of June 24, 2009, we had entered into other lease agreements for restaurant facilities currently under construction or yet to be constructed. Classification of these leases as capital or operating has not been determined as construction of the leased properties has not been completed.

11. STOCK-BASED COMPENSATION

In November 2005, our shareholders approved the Performance Share Plan, the Restricted Stock Unit Plan, and amendments to the 1998 Stock Option and Incentive Plan and the 1999 Stock Option and Incentive Plan for Non-Employee Directors and Consultants (collectively, the "Plans"). In October 2008, our shareholders approved an amendment to the 1998 Stock Option and Incentive Plan authorizing the issuance of an additional 2.0 million shares of our common stock to employees, bringing the total number of shares authorized for issuance to employees and non-employee directors and consultants under the Plans to 35.3 million. The Plans provide for grants of options to purchase our common stock, restricted stock, restricted stock units, performance shares and stock appreciation rights.

(a) Stock Options

Expense related to stock options issued to eligible employees under the Plans is recognized using a graded-vesting schedule over the vesting period. For options granted after the adoption of SFAS 123R on June 30, 2005, expense is recognized to the date on which retirement eligibility is achieved, if shorter than the vesting period. Stock options generally vest over a period of 1 to 4 years and have contractual terms to exercise of 8 to 10 years. Full or partial vesting of awards may occur upon a change in control (as defined in the Plans), or upon an employee's death, disability or involuntary termination.

11. STOCK-BASED COMPENSATION (Continued)

Transactions during fiscal 2009 were as follows (in thousands, except option prices):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Options outstanding at June 25, 2008	7,614	$ 21.86		
Granted	893	18.94		
Exercised	(427)	10.89		
Forfeited or canceled	(707)	22.49		
Options outstanding at June 24, 2009	7,373	$ 22.08	4.4	$ 289
Options exercisable at June 24, 2009	5,802	$ 21.91	3.8	$ 289

At June 24, 2009, unrecognized compensation expense related to stock options totaled approximately $3.1 million and will be recognized over a weighted average period of 2.0 years. The intrinsic value of options exercised totaled approximately $3.3 million, $1.5 million and $38.8 million during fiscal 2009, 2008 and 2007, respectively.

(b) Restricted Share Awards

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

Transactions during fiscal 2009 were as follows (in thousands, except fair values):

	Number of Restricted Share Awards	Weighted Average Fair Value Per Award
Restricted share awards outstanding at June 25, 2008	2,754	$ 22.92
Granted	1,026	16.77
Vested	(837)	22.20
Forfeited	(343)	22.52
Restricted share awards outstanding at June 24, 2009	2,600	$ 20.76

At June 24, 2009, unrecognized compensation expense related to restricted share awards totaled approximately $14.4 million and will be recognized over a weighted average period of 2.1 years. The fair

11. STOCK-BASED COMPENSATION (Continued)

value of shares that vested during fiscal 2009, 2008, and 2007 totaled approximately $12.7 million, $3.2 million and $1.8 million, respectively.

12. SAVINGS PLANS

We sponsor a qualified defined contribution retirement plan ("Plan I") covering all employees who have attained the age of twenty-one and have completed one year and 1,000 hours of service. Plan I allows eligible employees to contribute, subject to IRS limitations on total annual contributions, up to 50% of their base compensation and 100% of their eligible bonuses, as defined in the plan, to various investment funds. We match in cash at a rate of 100% of the first 3% an employee contributes and 50% of the next 2% the employee contributes with immediate vesting. In fiscal 2009, 2008, and 2007, we contributed approximately $8.1 million, $8.9 million, and $8.2 million, respectively.

We also sponsor a non-qualified defined contribution plan covering a select group of highly compensated employees, as defined in the plan. Eligible employees are allowed to defer receipt of up to 50% of their base compensation and bonus, as defined in the plan. There is no company match, but employee contributions earn interest based on a rate determined and announced in November prior to the start of the plan year. Employee contributions and earnings thereon vest immediately. A Rabbi Trust is used to fund obligations of the non-qualified plan. The market value of the trust assets is included in other assets and the liability to plan participants is included in other liabilities.

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2009	2008	2007
Income taxes, net of refunds	$ 5,219	$62,260	$100,593
Interest, net of amounts capitalized	34,473	48,919	26,167

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

	2009	2008	2007
Retirement of fully depreciated assets	$50,887	$21,778	$40,133

14. CONTINGENCIES

As of June 24, 2009, we remain secondarily liable for lease payments totaling $193.7 million as a result of the sale of Macaroni Grill, the sale of other brands, and the sale of restaurants to franchisees in previous periods. This amount represents the maximum potential liability of future payments under the guarantees. These leases have been assigned to the buyers and expire at the end of the respective lease terms, which range from fiscal 2010 through fiscal 2023. In the event of default, the indemnity and default clauses in our assignment agreements govern our ability to pursue and recover damages incurred. No material liabilities have been recorded as of June 24, 2009.

Certain current and former hourly restaurant employees filed a lawsuit against us in California Superior Court alleging violations of California labor laws with respect to meal and rest breaks. The lawsuit seeks penalties and attorney's fees and was certified as a class action in July 2006. On July 22, 2008, the California Court of Appeal decertified the class action on all claims with prejudice. On October 22,

BRINKER INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. CONTINGENCIES (Continued)

2008, the California Supreme Court granted a writ to review the decision of the Court of Appeal. We intend to vigorously defend our position. It is not possible at this time to reasonably estimate the possible loss or range of loss, if any.

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

15. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following table summarizes the unaudited consolidated quarterly results of operations for fiscal 2009 and 2008 (in thousands, except per share amounts):

	Fiscal Year 2009 Quarters Ended			
	Sept. 24	Dec. 24	March 25	June 24
Revenues	$984,407	$949,425	$857,378	$829,370
Income (loss) before provision for income taxes	$ 32,355	$ (44,498)	$ 49,210	$ 49,671
Net income (loss)	$ 23,781	$ (21,764)	$ 35,003	$ 42,146
Basic net income (loss) per share	$ 0.23	$ (0.21)	$ 0.34	$ 0.41
Diluted net income (loss) per share(a)	$ 0.23	$ (0.21)	$ 0.34	$ 0.41
Basic weighted average shares outstanding	101,630	101,841	101,882	102,051
Diluted weighted average shares outstanding	102,762	102,278	102,752	103,054

	Fiscal Year 2008 Quarters Ended			
	Sept. 26	Dec. 26	March 26	June 25
Revenues	$1,054,686	$1,029,785	$1,077,183	$1,073,569
Income (loss) before provision for income taxes	$ 52,863	$ 78,106	$ (70,158)	$ (5,957)
Net income (loss)	$ 37,600	$ 54,480	$ (38,818)	$ (1,540)
Basic net income (loss) per share	$ 0.35	$ 0.53	$ (0.38)	$ (0.02)
Diluted net income (loss) per share(a)	$ 0.34	$ 0.52	$ (0.38)	$ (0.02)
Basic weighted average shares outstanding	106,464	103,498	101,175	101,267
Diluted weighted average shares outstanding	109,155	105,339	102,377	102,717

(a) Due to the net loss in the second quarter of fiscal 2009 and the third and fourth quarters of fiscal 2008, diluted loss per share is calculated using the basic weighted average number of shares. Using the actual diluted weighted average shares would result in anti-dilution of earnings per share.

Report of Independent Registered Public Accounting Firm

The Board of Directors
Brinker International, Inc.:

We have audited the accompanying consolidated balance sheets of Brinker International, Inc. and subsidiaries ("the Company") as of June 24, 2009 and June 25, 2008, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended June 24, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Brinker International, Inc. and subsidiaries as of June 24, 2009 and June 25, 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended June 24, 2009, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of June 24, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 24, 2009 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

As discussed in Note 8 of the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109," in fiscal year 2008.

KPMG LLP

Dallas, Texas
August 24, 2009

Report of Independent Registered Public Accounting Firm

The Board of Directors
Brinker International, Inc.:

We have audited Brinker International, Inc.'s ("the Company") internal control over financial reporting as of June 24, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 24, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 24, 2009 and June 25, 2008, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended June 24, 2009, and our report dated August 24, 2009 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Dallas, Texas
August 24, 2009

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

We maintain a system of internal controls over financial reporting designed to provide reasonable assurance of the reliability of the consolidated financial statements. Our internal audit function monitors and reports on the adequacy of the compliance with the internal control system and appropriate actions are taken to address significant control deficiencies and other opportunities for improving the system as they are identified. The Audit Committee of the Board of Directors, which is comprised solely of outside directors, provides oversight to the financial reporting process through periodic meetings with our independent auditors, internal auditors, and management. Both our independent auditors and internal auditors have free access to the Audit Committee. Although no cost-effective internal control system will preclude all errors and irregularities, we believe our controls as of and for the year ended June 24, 2009 provide reasonable assurance that the consolidated financial statements are reliable.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting. We have assessed the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, we concluded that our internal control over financial reporting was effective as of June 24, 2009.

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

The effectiveness of our internal control over financial reporting as of June 24, 2009 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in its attestation report which is included herein.

/s/ DOUGLAS H. BROOKS

DOUGLAS H. BROOKS
President and Chief Executive Officer

/s/ CHARLES M. SONSTEBY

CHARLES M. SONSTEBY
Executive Vice President and Chief Financial Officer

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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, On The Border Mexican Grill & Cantina, and Maggiano's Little Italy.

BRINKER RESTAURANT CORPORATION, a Delaware corporation
BRINKER INTERNATIONAL PAYROLL COMPANY, L.P., a Delaware limited partnership
BRINKER ALABAMA, INC., a Delaware corporation
BRINKER ARKANSAS, INC., a Delaware corporation
BRINKER CONNECTICUT CORPORATION, a Delaware corporation
BRINKER DELAWARE, INC., a Delaware corporation
BRINKER FLORIDA, INC., a Delaware corporation
BRINKER FREEHOLD, INC., a New Jersey 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 MICHIGAN, INC., a Delaware corporation
BRINKER MISSISSIPPI, INC., a Delaware corporation
BRINKER MISSOURI, INC., a Delaware corporation
BRINKER NEVADA, INC., a Nevada corporation
BRINKER NEW JERSEY, INC., a Delaware corporation
BRINKER NORTH CAROLINA, INC., a Delaware corporation
BRINKER OF BALTIMORE COUNTY, INC., a Maryland corporation
BRINKER OF CARROLL COUNTY, INC., a Maryland corporation
BRINKER OF CHARLES COUNTY, INC., a Maryland corporation
BRINKER OF CECIL COUNTY, INC., a Maryland corporation
BRINKER OF FREDERICK COUNTY, INC., a Maryland corporation
BRINKER OF HOWARD COUNTY, INC., a Maryland corporation
BRINKER OF MONTGOMERY COUNTY, INC., a Maryland corporation
BRINKER OF PRINCE GEORGE'S COUNTY, INC., a Maryland corporation
BRINKER OHIO, INC., a Delaware corporation
BRINKER OKLAHOMA, INC., a Delaware corporation
BRINKER PENN TRUST, a Pennsylvania business trust
BRINKER RHODE ISLAND, INC., a Rhode Island corporation
BRINKER SOUTH CAROLINA, INC., a Delaware corporation
BRINKER TEXAS, INC., a Delaware corporation
BRINKER VIRGINIA, INC., a Delaware corporation
CHILI'S BEVERAGE COMPANY, INC., a Texas corporation
CHILI'S, INC., a Delaware corporation
CHILI'S, INC., a Tennessee corporation
CHILI'S OF BEL AIR, INC., a Maryland corporation
CHILI'S OF KANSAS, INC., a Kansas corporation
CHILI'S OF MARYLAND, INC., a Maryland corporation
CHILI'S OF MINNESOTA, INC., a Minnesota corporation
CHILI'S OF WEST VIRGINIA, INC., a West Virginia corporation
MAGGIANO'S, INC., an Illinois corporation
MAGGIANO'S BEVERAGE COMPANY, a Texas corporation

MAGGIANO'S HOLDING CORPORATION, a Delaware corporation
MAGGIANO'S OF TYSON'S, INC., a Virginia corporation
MAGGIANO'S TEXAS, INC., a Delaware corporation
ROMANO'S OF ANNAPOLIS, INC., a Maryland corporation

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Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Brinker International, Inc.:

We consent to the incorporation by reference in Registration Statement Nos. 33-56491, 333-02201, 333-93755, 333-42224, 333-105720, 333-125289, and 333-157050 on Form S-8, Registration Statement No. 333-74902 on Form S-3 and Registration Statement No. 333-116879 on Form S-4 of Brinker International, Inc. of our reports dated August 24, 2009, with respect to the consolidated balance sheets of Brinker International, Inc. as of June 24, 2009 and June 25, 2008, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 24, 2009, and the effectiveness of internal control over financial reporting as of June 24, 2009, which reports appear in the 2009 Annual Report on Form 10-K of Brinker International, Inc.

Our report dated August 24, 2009, with respect to the consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 24, 2009 and June 25, 2008, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 24, 2009 refers to the adoption of the provisions of the Financial Accounting Standards Board's Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109," in fiscal year 2008.

KPMG LLP

Dallas, Texas
August 24, 2009

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Exhibit 31(a)

CERTIFICATION

I, Douglas H. Brooks, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: August 24, 2009

/s/ DOUGLAS H. BROOKS

Douglas H. Brooks
Chairman of the Board, President and

Chief Executive Officer
(Principal Executive Officer)

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Exhibit 31(b)

CERTIFICATION

I, Charles M. Sonsteby, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: August 24, 2009

/s/ CHARLES M. SONSTEBY

Charles M. Sonsteby
Executive Vice President and

Chief Financial Officer
(Principal Financial Officer)

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Exhibit 32(a)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the "Company"), hereby certifies that the Company's Annual Report on Form 10-K for the year ended June 24, 2009 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 24, 2009

By: /s/ DOUGLAS H. BROOKS

Name: Douglas H. Brooks
Title: *Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)*

QuickLinks

Exhibit 32(a)

CERTIFICATION

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Exhibit 32(b)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the "Company"), hereby certifies that the Company's Annual Report on Form 10-K for the year ended June 24, 2009 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 24, 2009

By:	/s/ CHARLES M. SONSTEBY
Name:	Charles M. Sonsteby
Title:	*Executive Vice President and*
	Chief Financial Officer
	(Principal Financial Officer)

JS 44 (Rev. 06/17)

CIVIL COVER SHEET

3:18-cv-686 J-32mcr

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. *(SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)*

I. (a) PLAINTIFFS
Marlene Green-Cooper, Shenika Thomas, and Fred Sanders,

(b) County of Residence of First Listed Plaintiff
(EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorneys *(Firm Name, Address, and Telephone Number)*
Morgan & Morgan Complex Litigation Groupu
201 N. Franklin Street, 7th Floor, Tampa, FL 33602
813-223-5505

DEFENDANTS
Brinker International, Inc.,

County of Residence of First Listed Defendant
(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

Attorneys *(If Known)*

II. BASIS OF JURISDICTION *(Place an "X" in One Box Only)*

- ☐ 1 U.S. Government Plaintiff
- ☒ 3 Federal Question *(U.S. Government Not a Party)*
- ☐ 2 U.S. Government Defendant
- ☐ 4 Diversity *(Indicate Citizenship of Parties in Item III)*

III. CITIZENSHIP OF PRINCIPAL PARTIES *(Place an "X" in One Box for Plaintiff and One Box for Defendant)*
(For Diversity Cases Only)

	PTF	DEF		PTF	DEF
Citizen of This State	☒ 1	☐ 1	Incorporated *or* Principal Place of Business In This State	☐ 4	☐ 4
Citizen of Another State	☒ 2	☐ 2	Incorporated *and* Principal Place of Business In Another State	☐ 5	☒ 5
Citizen or Subject of a Foreign Country	☐ 3	☐ 3	Foreign Nation	☐ 6	☐ 6

IV. NATURE OF SUIT *(Place an "X" in One Box Only)*
Click here for: Nature of Suit Code Descriptions.

CONTRACT
- ☐ 110 Insurance
- ☐ 120 Marine
- ☐ 130 Miller Act
- ☐ 140 Negotiable Instrument
- ☐ 150 Recovery of Overpayment & Enforcement of Judgment
- ☐ 151 Medicare Act
- ☐ 152 Recovery of Defaulted Student Loans (Excludes Veterans)
- ☐ 153 Recovery of Overpayment of Veteran's Benefits
- ☐ 160 Stockholders' Suits
- ☐ 190 Other Contract
- ☐ 195 Contract Product Liability
- ☐ 196 Franchise

REAL PROPERTY
- ☐ 210 Land Condemnation
- ☐ 220 Foreclosure
- ☐ 230 Rent Lease & Ejectment
- ☐ 240 Torts to Land
- ☐ 245 Tort Product Liability
- ☐ 290 All Other Real Property

TORTS

PERSONAL INJURY
- ☐ 310 Airplane
- ☐ 315 Airplane Product Liability
- ☐ 320 Assault, Libel & Slander
- ☐ 330 Federal Employers' Liability
- ☐ 340 Marine
- ☐ 345 Marine Product Liability
- ☐ 350 Motor Vehicle
- ☐ 355 Motor Vehicle Product Liability
- ☐ 360 Other Personal Injury
- ☐ 362 Personal Injury - Medical Malpractice

PERSONAL INJURY
- ☐ 365 Personal Injury - Product Liability
- ☐ 367 Health Care/ Pharmaceutical Personal Injury Product Liability
- ☐ 368 Asbestos Personal Injury Product Liability

PERSONAL PROPERTY
- ☐ 370 Other Fraud
- ☐ 371 Truth in Lending
- ☐ 380 Other Personal Property Damage
- ☐ 385 Property Damage Product Liability

CIVIL RIGHTS
- ☐ 440 Other Civil Rights
- ☐ 441 Voting
- ☐ 442 Employment
- ☐ 443 Housing/ Accommodations
- ☐ 445 Amer. w/Disabilities - Employment
- ☐ 446 Amer. w/Disabilities - Other
- ☐ 448 Education

PRISONER PETITIONS

Habeas Corpus:
- ☐ 463 Alien Detainee
- ☐ 510 Motions to Vacate Sentence
- ☐ 530 General
- ☐ 535 Death Penalty

Other:
- ☐ 540 Mandamus & Other
- ☐ 550 Civil Rights
- ☐ 555 Prison Condition
- ☐ 560 Civil Detainee - Conditions of Confinement

FORFEITURE/PENALTY
- ☐ 625 Drug Related Seizure of Property 21 USC 881
- ☐ 690 Other

LABOR
- ☐ 710 Fair Labor Standards Act
- ☐ 720 Labor/Management Relations
- ☐ 740 Railway Labor Act
- ☐ 751 Family and Medical Leave Act
- ☐ 790 Other Labor Litigation
- ☐ 791 Employee Retirement Income Security Act

IMMIGRATION
- ☐ 462 Naturalization Application
- ☐ 465 Other Immigration Actions

BANKRUPTCY
- ☐ 422 Appeal 28 USC 158
- ☐ 423 Withdrawal 28 USC 157

PROPERTY RIGHTS
- ☐ 820 Copyrights
- ☐ 830 Patent
- ☐ 835 Patent - Abbreviated New Drug Application
- ☐ 840 Trademark

SOCIAL SECURITY
- ☐ 861 HIA (1395ff)
- ☐ 862 Black Lung (923)
- ☐ 863 DIWC/DIWW (405(g))
- ☐ 864 SSID Title XVI
- ☐ 865 RSI (405(g))

FEDERAL TAX SUITS
- ☐ 870 Taxes (U.S. Plaintiff or Defendant)
- ☐ 871 IRS—Third Party 26 USC 7609

OTHER STATUTES
- ☐ 375 False Claims Act
- ☐ 376 Qui Tam (31 USC 3729(a))
- ☐ 400 State Reapportionment
- ☐ 410 Antitrust
- ☐ 430 Banks and Banking
- ☐ 450 Commerce
- ☐ 460 Deportation
- ☐ 470 Racketeer Influenced and Corrupt Organizations
- ☐ 480 Consumer Credit
- ☐ 490 Cable/Sat TV
- ☐ 850 Securities/Commodities/ Exchange
- ☒ 890 Other Statutory Actions
- ☐ 891 Agricultural Acts
- ☐ 893 Environmental Matters
- ☐ 895 Freedom of Information Act
- ☐ 896 Arbitration
- ☐ 899 Administrative Procedure Act/Review or Appeal of Agency Decision
- ☐ 950 Constitutionality of State Statutes

V. ORIGIN *(Place an "X" in One Box Only)*
- ☒ 1 Original Proceeding
- ☐ 2 Removed from State Court
- ☐ 3 Remanded from Appellate Court
- ☐ 4 Reinstated or Reopened
- ☐ 5 Transferred from Another District *(specify)*
- ☐ 6 Multidistrict Litigation - Transfer
- ☐ 8 Multidistrict Litigation - Direct File

VI. CAUSE OF ACTION
Cite the U.S. Civil Statute under which you are filing ***(Do not cite jurisdictional statutes unless diversity)***:
28 U.S.C. § 1332(d)(2)

Brief description of cause:
BREACH OF IMPLIED CONTRACT

VII. REQUESTED IN COMPLAINT:
☒ CHECK IF THIS IS A CLASS ACTION UNDER RULE 23, F.R.Cv.P.

DEMAND $ 5,000,000.00

CHECK YES only if demanded in complaint:
JURY DEMAND: ☒ Yes ☐ No

VIII. RELATED CASE(S) IF ANY
(See instructions): JUDGE DOCKET NUMBER

DATE
05/24/2018

SIGNATURE OF ATTORNEY OF RECORD
/s/ John A. Yanchunis

FOR OFFICE USE ONLY

RECEIPT # JAX 027895 AMOUNT 400.00 APPLYING IFP JUDGE MAG. JUDGE