BRINKER INTERNATIONAL INC
Form DEF 14A
September 10, 2007

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

Brinker International, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(3) Filing Party:

(4) Date Filed:

6820 LBJ Freeway
Dallas, Texas 75240
(972) 980-9917

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held November 1, 2007

September 10, 2007

Dear Shareholder:

We invite you to attend the annual meeting of shareholders of Brinker International, Inc. to be held at 10:00 a.m. (Dallas time), on Thursday, November 1, 2007, at the Cinemark 17 Theater, located at 11819 Webb Chapel Road, Dallas, Texas 75234. At the meeting, we will: (1) elect nine (9) directors for one-year terms; (2) vote on the ratification of the appointment of KPMG LLP as our independent auditors for the fiscal 2008 year; (3) vote on a shareholder proposal; and (4) conduct any other business properly presented at the meeting.

Your Board of Directors has chosen September 4, 2007 as the date used to determine the shareholders who will be able to attend and vote at the annual meeting. If you own shares in Brinker, at the end of business on that day, you are invited to attend the annual meeting. Seating at the meeting will be limited to Brinker's shareholders, proxy holders and invited guests of Brinker. If you own your shares in your own name, please bring photo identification to the meeting. If you hold your shares through a bank, broker or other third party, please bring photo identification and a current statement from that party showing your ownership. Please note that cameras, recording equipment and other electronic devices will not be permitted at the meeting.

Your vote is important. If you decide not to attend the annual meeting, you may vote on these proposals by proxy. To do so, you may complete the enclosed proxy card (please be sure to date and sign it as well), and return it to us. We have enclosed a postage-prepaid envelope to expedite the return of your completed proxy card. You may also vote by telephone or over the Internet as described in the instructions on the proxy card.

Whether or not you plan to be present at the meeting, please take the time to vote, by Internet, telephone or mailing in your proxy. If you have voted by mail or by telephone or over the Internet and later decide to attend the annual meeting, you may come to the meeting and vote in person.

We look forward to seeing you at the meeting.

Very truly yours,

Douglas H. Brooks
Chairman of the Board, President
and Chief Executive Officer

BRINKER INTERNATIONAL, INC.

PROXY STATEMENT

QUESTIONS AND ANSWERS ABOUT THE MEETING AND VOTING

Why did you send this Proxy Statement to me?

The Board of Directors of Brinker International, Inc. (sometimes referred to here as "Brinker," "we," "us," "our," or the "Company") is soliciting the enclosed proxy to be used at the annual meeting of shareholders on November 1, 2007 at 10:00 a.m. and at any adjournment or postponement of that meeting. The meeting will be held at the Cinemark 17 Theater, which is located at 11817 Webb Chapel Road, Dallas, Texas 75234. The purpose of the meeting is to:

- elect nine (9) directors;
- vote on the ratification of the selection of KPMG LLP as our independent auditors for the 2008 fiscal year;
- vote on a shareholder proposal; and
- conduct any other business properly presented at the meeting or any adjournment or postponement thereof.

We mailed this Proxy Statement and the accompanying proxy on or about September 10, 2007, to all shareholders entitled to vote at the annual meeting.

How many votes do I have?

If we had your name on record as owning stock in Brinker International, Inc. at the close of business on September 4, 2007, then you are entitled to vote at the annual meeting. You are entitled to one vote for each share of Brinker's common stock you own as of that date. At the close of business on August 17, 2007, 105,149,956 shares of the Company's common stock were outstanding and eligible to vote.

How do I vote by proxy?

Whether you plan to attend the annual meeting or not, we encourage you to complete, sign, date, and return the enclosed proxy card. We have enclosed a postage-prepaid envelope for your convenience. You may also vote by telephone or over the Internet as indicated on the proxy card instructions. Voting your shares by returning the enclosed proxy card, or by telephone or over the Internet, will not affect your right to attend the annual meeting and vote in person.

How do I attend the annual meeting in person?

Seating at the annual meeting will be limited to Brinker's shareholders or their proxyholders and the Company's invited guests. If you are a holder of record in your own name, please bring photo identification to the annual meeting. If you hold shares through a bank, broker or other third party, please bring photo identification and a current brokerage statement. Cameras, recording equipment and other electronic devices will not be permitted at the meeting. The annual meeting will begin promptly at 10:00 a.m. Dallas time, so please plan to arrive accordingly.

May I revoke my proxy?

You may change your vote or revoke your proxy any time before the annual meeting by:

- returning another proxy card with a later date;
- sending written notification of revocation to the Corporate Secretary at our principal executive offices at 6820 LBJ Freeway, Dallas, Texas 75240;
- entering a later vote by telephone or over the Internet; or
- attending the annual meeting and voting in person.

Who pays for the solicitation of proxies and how are they solicited?

We pay the entire cost of the solicitation of these proxies. This cost includes preparation, assembly, printing, and mailing of this Proxy Statement and any other information we send to you. We may supplement our efforts to solicit your proxy in the following ways:

- we may contact you using the telephone or electronic communication;
- our directors, officers, or other regular employees may contact you personally; or
- we may hire agents for the sole purpose of contacting you regarding the proxy.

If we hire soliciting agents, we will pay them a reasonable fee for their services. We will not pay directors, officers, or other regular employees any additional compensation for their efforts to supplement our proxy solicitation.

Can I vote if my shares are held in "street name"?

If the shares you own are held in "street name" by a bank or brokerage firm, your bank or brokerage firm, as the record holder of your shares, is required to vote your shares according to your instructions. In order to vote your shares, you will need to follow the directions your bank or brokerage firm provides you. If you do not give instructions to your bank or brokerage firm, it will still be able to vote your shares with respect to certain "routine" items, but will not be allowed to vote your shares with respect to certain "non-routine" items. In the case of non-routine items, the shares will be treated as "broker non-votes," which are not counted as cast and have no effect on the outcome of the vote. To be able to vote your shares held in street name at the meeting, you will need to obtain a proxy from your bank or brokerage firm.

What is "householding"?

If you and others in your household own your shares in street name, you may receive only one copy of this proxy statement and the annual report. This practice is known as "householding." If you hold your shares in street name and would like additional copies of these materials, please contact your bank or broker. If you receive multiple copies and would prefer to receive only one set of these materials, please also contact your bank or broker. Brinker does not currently use householding for owners of record and will send notice to all owners of record before using householding. By using this method, we give all owners of record the opportunity to continue to receive multiple copies of these materials in the same household.

What constitutes a quorum?

In order for business to be conducted at the meeting, a quorum must be present. A quorum consists of the holders of a majority of the shares of common stock issued, outstanding and entitled to vote at the meeting. Shares of common stock represented in person or by proxy (including broker non-votes and shares that abstain or do not vote with respect to one or more of the matters to be voted upon) will be counted for the purpose of determining whether a quorum exists. If a quorum is not present, the meeting will be adjourned until a quorum is obtained.

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What vote is required to approve each proposal?

Proposal 1: Elect Nine Directors

The nine nominees for director who receive the most votes of all nominees for director will be elected. Votes withheld will therefore have no effect on the outcome of this proposal because only a plurality of votes actually cast is needed to elect a director.

Proposal 2: Ratify Selection of Independent Auditors for the 2008 Fiscal Year

The affirmative vote of a majority of the shares of common stock present or represented by proxy and voting at the meeting is required to approve this proposal. Abstentions are counted as votes cast and have the same effect as votes against the proposal. Broker non-votes have no effect on the outcome of the voting on this proposal.

Proposal 3: Act on Shareholder Proposal

The affirmative vote of a majority of the shares of common stock present or represented by proxy and voting at the meeting is required to approve this proposal. Abstentions are counted as votes cast and have the same effect as votes against the proposal. Broker non-votes have no effect on the outcome of the voting on this proposal.

How will my proxy get voted?

If you properly fill in and return the enclosed proxy card, or vote by telephone or over the Internet, the designated Proxies (the individuals named on your proxy card) will vote your shares as you have directed. If you sign the proxy card, but do not make specific choices, the designated Proxies will vote your shares as recommended by the Board of Directors as follows:

"FOR" the election of the nine nominees for director;

"FOR" ratification of KPMG LLP as our independent auditors for the 2008 fiscal year; and

"AGAINST" approval of the shareholder proposal.

How will voting on "any other business" be conducted?

Although we do not know of any business to be considered at the annual meeting other than the proposals described in this Proxy Statement, if any additional business is properly presented at the annual meeting, your signed or electronically transmitted proxy card gives authority to the designated Proxies to vote on such matters in their discretion.

How do I submit a proposal for next year's annual meeting?

If you have a proposal, other than a nomination for the Board of Directors, that you would like us to consider at the 2008 annual meeting of shareholders, you must submit your proposal to us no later than May 12, 2008 and must comply with the notice, information and other provisions contained in the Company's bylaws. If you would like your proposal to be included in our Proxy Statement and proxy relating to that meeting, it must also comply with the Securities and Exchange Commission ("SEC") rules, and you must submit it to us no later than May 12, 2008. Proposals should be sent to our executive offices at 6820 LBJ Freeway, Dallas, Texas 75240 in care of the Corporate Secretary.

How do I submit a nomination for the Board of Directors?

Any shareholder of the Company may recommend one or more individuals to be considered by the Governance and Nominating Committee of the Company's Board of Directors as a potential nominee or nominees for election as a director of the Company. If you wish to recommend one or more individuals for a position or positions on the Board of Directors, our bylaws require that you submit your recommendation, along with certain information about the candidate(s) to the Company's General Counsel. If you need a copy of the bylaws, you may obtain them free of charge from the Corporate Secretary or you may find them in the Company's public filings with the SEC. If you want to submit a recommendation for the Company's 2008 annual meeting of the shareholders, your submittal must be delivered to our principal executive offices at 6820 LBJ Freeway, Dallas, Texas 75240 to the attention of the Company's General Counsel on or before May 12, 2008.

How can I access Brinker's proxy materials and annual report electronically?

You can access the Company's proxy statement, 2007 Annual Report on Form 10-K and FY 2007 Annual Report at www.brinker.com. You may simply click on either (i) the links on the home page, or (ii) "Investor Relations," then "SEC Filings." We will also provide you free copies of these documents by sending a written request to the Company's Corporate Secretary at 6820 LBJ Freeway, Dallas, Texas 75240. The FY 2007 Annual Report and the Form 10K accompany this proxy statement and proxy card, but are not considered part of the proxy soliciting materials.

PROPOSAL 1

ELECTION OF DIRECTORS

Your proxy will be used to vote **FOR** the election of the Nominees named below unless you withhold the authority to do so when you send in your proxy. If any Nominee becomes unavailable for election as a result of an unexpected occurrence, we would use your shares to vote for a substitute Nominee that the Board of Directors would propose. Each person nominated for election has agreed to serve if elected, and we have no reason to believe that any Nominee will be unavailable to serve. All Nominees are currently serving as directors of the Company and all were elected by the shareholders at the 2006 annual meeting of shareholders, except John W. Mims, who was appointed to the Board of Directors on February 14, 2007.

Information About Nominees

We are furnishing you below certain information about each of the nine persons nominated as directors:

Douglas H. Brooks, 55, is Chairman of the Board of the Board of Directors of the Company, having been elected to the position in November 2004, and has served as Chief Executive Officer of the Company since January 2004, and as President of the Company since January 1999. Previously, Mr. Brooks served as Chili's Grill & Bar President from June 1994 to May 1998, Executive Vice President of the Company from May 1998 until January 1999, and Chief Operating Officer from May 1998 until June 2003. Mr. Brooks joined the Company as an Assistant Manager in 1978 and was promoted to General Manager later that year. He was named Area Supervisor in 1979, Regional Director in 1982, Senior Vice President Central Region Operations in 1987, and Senior Vice President Chili's Operations in 1992. He held this position until becoming President of Chili's in 1994. Mr. Brooks serves on the Board of Directors of Limbs for Life and is a member of the Professional Advisory Board for St. Jude Children's Research Hospital. Mr. Brooks has served on the Board of Directors since 1999 and is a member of the Executive Committee.

Marvin J. Girouard, 68, is the retired Chairman and Chief Executive Officer of Pier 1 Imports, Inc., having served as Chairman from February 1999 to February 2007 and Chief Executive Officer from June 1998 to February 2007. Mr. Girouard previously served as Chief Operating Officer from 1988 to 1998 and as President from 1988 until February 1999. Mr. Girouard joined Pier 1 Imports in 1975 and has served on its Board of Directors since 1988. He is an honorary member of the Board of Directors for the United States Committee for UNICEF The United Nations Children's Emergency Fund. Mr. Girouard has served on the Board of Directors since 1998, serves as the Lead Director of the Board, and is a member of the Audit, Compensation and Executive Committees of the Company.

Ronald Kirk, 53, is a partner in the law firm of Vinson & Elkins LLP, joining the firm in February 2005. Previously, Mr. Kirk was a partner in the law firm of Gardere Wynne Sewell, L.L.P. from 2001 until 2005 and served as the Mayor of the City of Dallas from 1995 until 2001. Mr. Kirk also serves on the Board of Directors for Dean Foods Company and PetSmart, Inc. Mr. Kirk has served on the Board of Directors since 1997 and is a member of the Executive and Governance and Nominating Committees of the Company.

John W. Mims, 48, is Managing Partner and Co-Founder of Cypress Ridge Partners since October 2006. Previously, Mr. Mims served as Senior Vice President of Worldwide Sales for Starwood Hotels and Resorts Worldwide, Inc., from November 2003 to October 2006, and as Vice President, Sales and Marketing, Asia Pacific Division from May 2001 to November 2003. Mr. Mims previously worked with PepsiCola International in their Southeast Asia operations, most recently as Director International Modern Trade from 1999 to 2000. Mr. Mims serves on the board of Entertainment Cruises, and is a board member of the Thurgood Marshall Scholarship Foundation. Mr. Mims has served on the Board of Directors since February 2007 and is a member of the Governance and Nominating Committee of the Company.

George R. Mrkonic, 55, is the Retired President and Vice Chairman of Borders Group, Inc., having previously served as a Director of Borders Group, Inc. from 1994 to 2004, Vice Chairman from December 1994 until January 2002 and President from December 1994 until January 1997. Mr. Mrkonic also serves as a Director for Guitar Center, Inc., Autozone, Inc., and Nashua Corporation. Mr. Mrkonic has served on the Board of Directors since September 2003 and is a member of the Audit and the Compensation Committees of the Company.

Erle Nye, 70, is Chairman Emeritus of TXU Corp. since May 2005, having served as Chairman of the Board from 2004 to 2005, Chairman of the Board and Chief Executive from 1997 to 2004, President and Chief Executive from 1995 to 1997, and President from 1987 to 1995. Mr. Nye has served on the Board of Directors of TXU Corp. since 1987. Mr. Nye also serves on the boards of many professional, civic and charitable organizations. Mr. Nye has served on the Board of Directors since November 2002 and is a member of the Audit, Executive and Governance and Nominating Committees of the Company.

James E. Oesterreicher, 66, is the Retired Chairman of the Board of J.C. Penney Company, Inc., having served as Chairman of the Board and Chief Executive Officer from January 1997 until September 2000 and Vice Chairman and Chief Executive Officer from January 1995 until January 1997. Mr. Oesterreicher served as President of JCPenney Stores and Catalog from 1992 to 1995 and as Director of JCPenney Stores from 1988 to 1992. Mr. Oesterreicher joined J.C. Penney Company in 1964 as a management trainee. He serves as a Director for TXU Corp., Texas Health Resources, HCC Insurance Holding, Inc., Circle Ten Council Boy Scouts of America, and Spina Bifida Birth Defects Foundation. Mr. Oesterreicher has served on the Board of Directors of the Company since 1994 and is a member of the Audit and Compensation Committees of the Company.

Rosendo G. Parra, 47, is the retired Senior Vice President for the Home and Small Business Group of Dell, Inc., having served in that position from June 2006 to April 2007, and having previously served as Senior Vice President and General Manager, Dell Americas from April 2002 until June 2006, Senior Vice President and Co-General Manager, Worldwide Home and Small Business Group from April 2001 until April 2002, Senior Vice President, Americas Public and Americas International from September 1998 until April 2001, Vice President, Public and Americas International, from February 1997 until September 1998, Group Vice President, Sales, Marketing and Service, from June 1994 until February 1997, and Vice President, Dell USA from August 1993 until June 1994. Mr. Parra has served on the Board of Directors since December 2004 and is a member of the Compensation and Governance and Nominating Committees of the Company.

Cece Smith, 62, is Managing General Partner of Phillips-Smith-Machens Venture Partners, a venture capital firm investing in retail and consumer businesses that she co-founded in 1986. Previously, Ms. Smith held senior management positions with Pearle Health Services and S&A Restaurant Corp. Ms. Smith currently serves as a Director of Pier 1 Imports, Inc. and is on the Executive Boards of the Dallas Symphony Association and the Edwin L. Cox School of Business at Southern Methodist University. Ms. Smith has served on the Board of Directors since January 2002 and is a member of the Audit and Compensation Committees of the Company.

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* EACH OF THE NOMINEES FOR DIRECTOR.

PROPOSAL 2

RATIFICATION OF INDEPENDENT AUDITORS

The Audit Committee of the Board of Directors selected KPMG LLP as our independent auditors for fiscal 2008. Although we are not required to submit this matter to you, the Board of Directors believes that it is good corporate governance to do so. This proposal asks you to ratify this selection. If the appointment of KPMG LLP is not ratified by you, the Audit Committee will reconsider the appointment. Representatives of KPMG LLP are expected to be present at the annual meeting. They will have the opportunity to make a statement if they so desire and they will be available to respond to appropriate questions that you may have.

Audit Fees

The following table sets forth the aggregate fees billed, or estimated to be billed, to us for the fiscal years ended June 27, 2007 and June 28, 2006, by our independent auditors, KPMG LLP:

Fiscal Year	Annual Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
2007	$ 762,000(1)	$ 37,000(2)	$ 51,000(3)	$ 0
2006	$ 731,000(4)	$ 46,000(5)	$ 69,000(6)	$ 0

(1) For fiscal 2007, annual audit fees related to professional services rendered for the audit of our annual consolidated financial statements, reviews of our quarterly consolidated financial statements, the audits of management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting ($685,000), subsidiary and statutory audits ($61,000), consultation on our accelerated share repurchase program ($11,000) and the issuance of consents for franchise circulars ($5,000).

(2) For fiscal 2007, all audit-related fees were for the audit of the Company's 401(k) Savings Plan.

(3) For fiscal 2007, all tax fees were for the review of tax returns.

(4) For fiscal 2006, annual audit fees related to professional services rendered for the audit of our annual consolidated financial statements, reviews of our quarterly consolidated financial statements, the audits of management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting ($685,000), subsidiary and statutory audits ($30,000), the issuance of consents for franchise circulars ($5,000), and review of the implementation of SFAS 123R ($11,000).

(5) For fiscal 2006, audit-related fees were for audits of the Company's 401(k) Savings Plan, and the now-terminated Savings Plan II.

(6) For fiscal 2006, tax fees were for tax planning ($33,000), assistance with change in accounting methods ($12,000), and the review of tax returns ($24,000).

The Audit Committee has established policies and procedures for the approval and pre-approval of audit services and permitted non-audit services. The Audit Committee has the responsibility to do the following:

- to engage and terminate our independent auditors;
- to pre-approve their audit services and permitted non-audit services;
- to approve all audit and non-audit fees; and

to set guidelines for permitted non-audit services and fees.

All of the fees for fiscal 2007 and 2006 were pre-approved by the Audit Committee or were within pre-approved guidelines for permitted non-audit services and fees established by the Audit Committee. For fiscal year 2007, the Audit Committee set a pre-approved maximum total fee expenditure for unscheduled, on-going audit and tax services with KPMG LLP of $200,000. In addition, if the fee for a particular item would exceed $40,000, Audit Committee approval would be required. There were no instances of waiver of approval requirements or guidelines during either fiscal year.

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* THE RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT AUDITORS FOR FISCAL 2008.

PROPOSAL 3

People for the Ethical Treatment of Animals (PETA), 501 Front Street, Norfolk, Virginia 23510, beneficial owner of 105 shares of common stock, as primary filers, and the Calvert Social Index Fund, c/o Calvert Group, Ltd., 4550 Montgomery Avenue, Bethesda, Maryland 20814, beneficial owner of 1,305 shares of common stock, as co-sponsors, have notified us that they intend to present a resolution at the annual meeting. Your Board of Directors and the Company accept no responsibility for the proposed resolution. **Your Board of Directors recommends a vote AGAINST this shareholder proposal.** As required by federal regulations, the resolution is included below exactly as submitted:

WHEREAS on its Web site, Brinker International, Inc. ("Brinker"), makes no mention of bird welfare policies or standards; and

WHEREAS consumers consider animal welfare when making dining choices, which is why many of Brinker's competitors have animal welfare policies and are particularly committed to improving conditions in their poultry suppliers' slaughterhouses; and

WHEREAS Brinker purchases all its poultry from suppliers that use a cruel and inefficient method of slaughter called "electrical immobilization," in which the birds are paralyzed with an electric current, have their throats slit while they are still conscious, and are dropped into tanks of scalding-hot water (often while they are still alive); and

WHEREAS there is a better, U.S. Department of Agriculture-approved method of poultry slaughter called "controlled-atmosphere killing" (CAK), which replaces the oxygen that birds are breathing with inert gases, gently and effectively putting them "to sleep"; and

WHEREAS a report commissioned by McDonald's ("the report") concurred that CAK is, as animal welfare experts have described it, the least cruel method of poultry slaughter available and found that it "[1.] has advantages [over electrical immobilization] from both an animal welfare and meat quality perspective...[2.] obviates potential distress and injury... [and 3.] can expeditiously and effectively stun and kill broilers with relatively low rates of aversion or other distress"; and

WHEREAS the report further concludes that McDonald's suppliers that use CAK have experienced improvements in bird handling, stunning efficiency, working conditions, and meat yield and quality; and

WHEREAS despite the fact that CAK is optimal for the birds' well-being and for product quality and profits and that other companies continue to make progress toward adopting it (e.g., Burger King adopted a purchasing preference for chickens killed by CAK), Brinker has merely alluded to shareholders that it is looking into CAK without showing a single concrete action it has taken toward that end;

NOW, THEREFORE, BE IT RESOLVED that to advance both Brinker's financial interests and the welfare of birds supplied to its restaurants, shareholders request that the Board of Directors issue a report to shareholders by October 2008 disclosing the progress made toward evaluating CAK. This report should be prepared at a reasonable cost and omit proprietary information.

Board of Directors' Statement in Opposition of the Proposal

Your Board of Directors recommends a vote AGAINST this shareholder proposal.

As a purchaser of a variety of protein products, including poultry products, your Company has and will continue to maintain a policy requiring its vendors to adhere to humane processing standards for their respective industries. Different humane methods exist for processing the animals, including the method of controlled-atmosphere killing referenced in the proposal; however, your Board does not consider it appropriate to further specify which humane standard should be employed by any given supplier. We do require our poultry suppliers to adhere to the standards set forth by the National Chicken Council. Processors are audited by qualified third parties up to four times a year to verify compliance with these humane processing standards.

It should be further noted, the report referenced in the proposal, contrary to the assertions of the proponents, did not recommend one processing method over another. It clearly did indicate further evaluation of CAK was necessary to understand its cost, efficiency and impact on the animals.

Your Company employs a knowledgeable and experienced Quality Assurance team who maintains our existing policies and stays well versed to evolving technologies and food safety standards. We will hold our protein suppliers to their responsibility to process animals in a humane manner that may include the utilization of CAK should they deem it appropriate for their respective company.

FOR THE FOREGOING REASONS, YOUR BOARD OF DIRECTORS BELIEVES THAT THIS PROPOSAL IS NOT IN THE BEST INTERESTS OF THE COMPANY AND YOU AS OUR SHAREHOLDERS AND UNANIMOUSLY RECOMMENDS THAT YOU VOTE *AGAINST* THIS PROPOSAL.

INFORMATION ABOUT THE BOARD OF DIRECTORS AND GOVERNANCE OF THE COMPANY

Director Independence

The Board reviews the independence of each non-employee director annually to confirm that the director continues to meet our standards as well as the requirements of the New York Stock Exchange ("NYSE") and the rules of the SEC. No member of the Board will be considered independent unless the Board determines that he or she has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). The Board will not determine any director to be independent if he or she has or has had any of the relationships set forth in the NYSE rules during the time periods specified in such rules. The Board will describe in the proxy statement the basis for determining whether any relationship is immaterial.

The Board of Directors has affirmatively determined each of the following directors is an "independent" director as such term is defined and as required by our Corporate Governance Guidelines, and the requirements of the SEC and NYSE.

Marvin J. Girouard	Ronald Kirk	John W. Mims
George R. Mrkonic	Erle Nye	James E. Oesterreicher
Rosendo G. Parra	Cece Smith	

The only member of the Board who is not independent is Douglas H. Brooks. Mr. Brooks, as CEO and President of the Company, is the only employee member of the Board. The Board has further determined that no material relationship exists between us and each non-employee director outside of their service as a member of the Board of Directors. In this proxy statement we refer to these directors individually as an "Independent Director" and collectively as the "Independent Directors."

Board Structure

The Board of Directors does not have classes where a director serves multi-year terms. Each director serves for a one year term and is subject to re-election by you each year. However, the Governance and Nominating Committee has divided the non-employee directors into four groups. The groups are staggered so that each year the members of one of the groups shall have served on the Board of Directors for four consecutive years. At the time a group has served four consecutive years, the members of such group are considered "Retiring Directors." Those Retiring Directors will, as determined by the Governance and Nominating Committee, either leave the Board of Directors at the end of their current term or serve an additional four year term on the Board of Directors (subject to annual re-election by you). Prior to recommending Retiring Directors for nomination for re-election, the Governance and Nominating Committee considers many things including:

- the quality of past director service, and attendance at Board of Directors and Committee meetings;
- whether the director continues to possess the qualities and capabilities considered necessary or desirable for director service;
- input from other members of the Board of Directors concerning the performance of that director; and
- the independence of the director.

This year Mr. Mrkonic is a Retiring Director who has been renominated by the Governance and Nominating Committee. The four groups of non-employee directors are as follows:

Director Group	Group Members	Considered a "Retiring Director" at the Annual Shareholder Meeting Following the End of the Noted Fiscal Year
One	Messrs. Girouard; Nye; and Oesterreicher	2010 fiscal year
Two	Messrs. Mims and Mrkonic	2011 fiscal year
Three	Messrs. Kirk and Parra	2008 fiscal year
Four	Ms. Smith	2009 fiscal year

Committees of the Board of Directors

The Board of Directors has four standing committees:

- Executive Committee;
- Audit Committee;
- Compensation Committee; and
- Governance and Nominating Committee.

The charters for each of these committees, as well as our Corporate Governance Guidelines, are available at no charge to you in the Corporate Governance section of our internet website (http://www.brinker.com/corp_gov/) or by written request directed to us, at 6820 LBJ Freeway, Dallas, Texas 75240, Attention: General Counsel.

The Board of Directors has affirmatively determined that each member of the Audit, Compensation, and Governance and Nominating Committees meets the independence requirements applicable to those committees required by the NYSE and the SEC.

The Executive Committee is currently comprised of Messrs. Girouard, Kirk, Nye and Brooks and met one time during the fiscal year. The Executive Committee reviews material matters between Board meetings, provides advice and counsel to our management, and has the authority to act for the Board on most matters between Board meetings. In addition, the Executive Committee is also charged with assuring that we have a satisfactory succession management plan for all key management positions.

The Audit Committee is currently comprised of Messrs. Girouard, Mrkonic, Nye and Oesterreicher and Ms. Smith and met eleven times during the fiscal year. The Board of Directors has determined that Ms. Smith is an "audit committee financial expert" as such term is defined in the SEC's Regulation S-K. We have provided you a discussion of the role of the Audit Committee in the "Report of the Audit Committee" later in this proxy statement.

The Compensation Committee is currently comprised of Messrs. Girouard, Mrkonic, Parra and Oesterreicher and Ms. Smith and met five times during the fiscal year. We have provided you a discussion of the specific nature of the Committee's responsibilities and compensation philosophy as they relate to our executive officers in the "Compensation Discussion and Analysis" and "Report of the Compensation Committee" later in this proxy statement.

The Governance and Nominating Committee is currently composed of Messrs. Kirk, Mims, and Parra and met five times during the fiscal year. The Governance and Nominating Committee, acting pursuant to its written charter, performs the following functions:

- recommends to the Board of Directors potential members to be added as new or replacement members to the Board of Directors;
- reviews the compensation paid to non-management Board members;
- recommends corporate governance guidelines to the full Board of Directors;
- reviews the applicable legal standards for "independence" and the criteria applied to determine "audit committee financial expert" status; and
- reviews the answers to annual questionnaires completed by each of the Independent Directors.

On the basis of this year's review, the Governance and Nominating Committee delivered a report to the full Board of Directors and the Board of Directors made its "independence" and "audit committee financial expert" determinations.

Board Member Meeting Attendance

During the fiscal year ended June 27, 2007, the Board of Directors held seven meetings. Each director attended at least 75% of the aggregate total of meetings of the Board of Directors and Committees on which he or she served.

The Board of Directors encourages each director to attend each annual meeting of shareholders. Such attendance allows for direct interaction between you and members of the Board of Directors. All members of the Board of Directors attended the Company's 2006 annual meeting of shareholders.

Lead Director

The Independent Directors selected Mr. Girouard from their group to serve as the "Lead Director" of the Board. As Lead Director, Mr. Girouard chairs each meeting of the Independent Directors (an "Executive Session"). The Independent Directors meet in Executive Session at each Board meeting.

As the Lead Director of the Board, Mr. Girouard's duties include:

- presiding at all meetings of the Board of Directors when the Chairman of the Board is not present;
- serving as liaison between the Chairman of the Board and the Independent Directors;
- approving information sent to the Board of Directors;

approving meeting agendas and schedules for the Board of Directors;

having the authority to call a meeting of the Independent Directors; and

being available for consultation and direct communication with major shareholders.

Directors' Compensation

The Governance and Nominating Committee has the responsibility for recommending to the Board of Directors the compensation for non-employee directors. The Governance and Nominating Committee annually reviews this compensation to assure that non-employee directors are being fairly and reasonably compensated in relation to the restaurant industry and to comparable U.S. companies. For fiscal 2008, non-employee directors of the Company will receive the following compensation:

- annual compensation of $50,000, which, at the director's choosing, may be taken in any combination of cash, restricted stock units or restricted stock (with the director receiving a 25% match in restricted stock units or restricted stock (as applicable) for the portion of his or her annual compensation taken in restricted stock units or restricted stock);

- an annual grant of 3,750 restricted stock units or restricted stock, at the director's choosing;

- $2,000 for each meeting of the Board of Directors attended; and

- $2,000 for each meeting of any Committee of the Board of Directors attended.

The Chair of the Audit Committee shall receive additional annual compensation of $10,000. The Audit Committee financial expert shall receive additional annual compensation of $10,000, unless such individual is also the Chair of the Audit Committee, in which case the total compensation would be $10,000 for such person. The Chair of each of the Compensation, Executive, and Governance and Nominating Committees shall receive additional annual compensation of $7,500. The Lead Director of the Board shall receive additional annual compensation of $25,000. We also will reimburse directors for costs incurred by them in attending meetings of the Board. A new director who is not an employee of the Company will receive 10,000 restricted stock units or restricted stock, at the director's choosing, at the beginning of such director's term. The restricted stock units and restricted stock are granted pursuant to our 1999 Stock Option and Incentive Plan for Non-Employee Directors and Consultants at the fair market value of the underlying common stock on the date of grant. Grants are made on the sixtieth day following the Board of Directors' meeting held on the same day as the annual shareholder meeting (or if the sixtieth day is not a business day, on the first business day thereafter). All of the restricted stock units and restricted stock will vest on the fourth anniversary of the date of grant. Restricted stock will be delivered following vesting and payout for restricted stock units will occur following a director's departure from the Board of Directors.

DIRECTOR COMPENSATION FOR FISCAL 2007

Fiscal 2007 Director Compensation Table

Name(1)	Fees Earned or Paid in Cash ($)(2)	Stock Awards ($)(3)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)	All Other Compensation ($)(4)	Total ($)
Marvin J. Girouard(5)	127,000	123,486				102	250,588
Cece Smith(5)	108,000	123,486				89	231,575
George R. Mrkonic(5)	103,500	123,486					226,986
Ron Kirk(5)	83,500	117,210				1,022	201,732
James E. Oesterreicher(5)	100,000	123,486				250	223,736
Erle Nye(5)	86,000	123,486				415	209,901
Rosendo Parra(5)	86,000	123,486				528	210,014
Robert M. Gates(5)	45,000						45,000
John Mims(5)	60,000	496,360					556,360

(1) Mr. Brooks was omitted from the Director Compensation Table since he does not receive compensation for serving on our Board. His compensation is reflected in the Summary Compensation Table of this Proxy Statement. Mr. Gates resigned from the Board on December 7, 2006 to take a public service position. Mr. Mims joined the Board on February 14, 2007.

(2) Reflects the aggregate dollar amount of all fees the directors earned in fiscal 2007 for service as a director, including annual retainer, committee chair fees, meeting and lead director fees. Directors have the option to receive any portion of their $50,000 annual retainer in restricted stock or restricted stock units. Brinker provides a 25% match in kind on any annual retainer converted to shares. For restricted stock, dividends are paid to the directors at the same time as all other shareholders. For the restricted stock units, dividends are accumulated and paid upon distribution.

(3) Directors were granted 3,750 restricted shares this year. They had the option to take the shares as restricted stock (which will be distributed on January 2, 2011) or restricted stock units (which are distributed upon the director's retirement from the Board).

Messrs. Girouard, Mrkonic, Oesterreicher, Mims, Nye, Parra, and Ms. Smith elected to receive their entire retainer in stock.

Mr. Kirk elected to receive half of his annual retainer in stock.

Mr. Gates resigned from the Board before the stock grants were made.

Mr. Mims elected to receive his entire retainer in stock and also received a one-time new director award of 10,000 restricted shares.

The amounts shown represent the compensation costs for financial reporting purposes in fiscal 2007 of the stock awards granted to the directors in fiscal 2007, as determined pursuant to SFAS 123R. These amounts do not include any reduction in value for the possibility of forfeiture.

(4)

Our directors receive a complimentary dining card for use in our restaurants. The dining card value used by each director was less than $10,000. Therefore, the values in this column are the tax gross up that was paid to each director.

(5)

The following table details the Board of Directors outstanding equity. All of our restricted shares are non-forfeitable when granted and are not reported in the table. Mr. Brooks is omitted from this table as his outstanding equity is reflected in the Outstanding Equity Awards Table of this Proxy Statement. Mr. John Mims is not listed on this table because all of his equity ownership is held in restricted shares and he does not hold any stock options.

Directors Outstanding Equity Awards at 2007 Fiscal Year End

	Option Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Marvin J. Girouard		11,250	25.66	01/04/2016
	2,000	4,000	23.27	01/03/2015
	4,000	2,000	22.17	01/12/2014
	21,000		21.87	01/13/2013
	4,500		20.04	01/14/2012
	1,746		15.97	01/02/2011
Cece Smith		15,000	25.66	01/04/2016
	2,000	4,000	23.27	01/03/2015
	4,000	2,000	22.17	01/12/2014
	6,000		21.87	01/13/2013
	34,500		20.04	01/14/2012
George R. Mrkonic		7,500	25.66	01/04/2016
	2,000	4,000	23.27	01/03/2015
	4,000	2,000	22.17	01/12/2014
	20,000	10,000	21.53	11/10/2013
Ron Kirk		3,750	25.66	01/04/2016
	7,638	15,276	23.27	01/03/2015
	5,339	2,670	22.17	01/12/2014
	7,950		21.87	01/13/2013
	6,057		20.04	01/14/2012
	24,246		15.97	01/02/2011
	2,718		11.31	12/28/2008
	4,491		7.28	01/05/2008
James E. Oesterreicher		11,250	25.66	01/04/2016
	2,000	4,000	23.27	01/03/2015
	4,000	2,000	22.17	01/12/2014
	21,000		21.87	01/13/2013
	5,279		20.04	01/14/2012
Erle Nye		11,250	25.66	01/04/2016
	2,319	4,638	23.27	01/03/2015
	4,670	2,335	22.17	01/12/2014
	37,950		21.87	01/13/2013
Rosendo Parra		3,750	25.66	01/04/2016
	12,290	24,582	25.57	02/08/2015

Shareholder Communications with the Board of Directors

If you wish to communicate with the Board of Directors or with an individual director, you may direct such communications in care of the General Counsel, 6820 LBJ Freeway, Dallas, Texas 75240. The communication must be clearly addressed to the Company's Board of Directors or to a specific director. Your Board of Directors has instructed the General Counsel to review and forward any such correspondence to the appropriate person or persons for response.

Qualifications to Serve as Director

Each candidate for director must possess at least the following specific minimum qualifications:

1. Each candidate shall be prepared to represent the best interests of all the Company's shareholders and not just one particular constituency.

2. Each candidate shall have demonstrated integrity and ethics in his/her personal and professional life and have established a record of professional accomplishment in his/her chosen field.

3. No candidate shall have any material personal, financial or professional interest in any present or potential competitor of the Company.

4. Each candidate shall be prepared to participate fully in activities of the Board of Directors, including active membership on at least one Committee of the Board of Directors and attendance at, and active participation in, meetings of the Board of Directors and the Committee(s) of the Board of Directors of which he or she is a member, and not have other personal or professional commitments that would, in the Governance and Nominating Committee's sole judgment, interfere with or limit his or her ability to do so.

5. In addition, the Governance and Nominating Committee also desires that candidates possess the following qualities or skills:

   (a) Each candidate shall contribute to the overall diversity of the Board of Directors diversity being broadly construed to mean a variety of opinions, perspectives, personal and professional experiences and backgrounds, such as gender, race and ethnicity differences, as well as other differentiating characteristics.

   (b) Each candidate should contribute positively to the existing chemistry and collaborative culture among the members of the Board of Directors.

   (c) Each candidate should possess professional and personal experiences and expertise relevant to the Company's business. Relevant experiences might include, among other things, large company CEO experience, senior level multi-unit restaurant or retail experience, and relevant senior level experience in one or more of the following areas finance, accounting, sales and marketing, organizational development, information technology and public relations.

Although not an automatic disqualifying factor, the inability of a candidate to meet the independence and other governing standards of the NYSE or the SEC will be a significant negative factor in any assessment of a candidate's suitability.

Internal Process of Identifying Candidates

The Governance and Nominating Committee uses a variety of means for identifying potential nominees for director, including the use of outside search firms and recommendations from current members of the Board of Directors and from shareholders. In determining whether to nominate a candidate, the Governance and Nominating Committee considers the current composition and capabilities of serving board members, as well as additional capabilities considered necessary or desirable in light of existing and future Company needs. One or more of the members of the Governance and Nominating Committee may interview, or have an outside search firm interview, a prospective candidate who is identified as having high potential to satisfy the expectations, requirements, qualities and responsibilities for membership on the Board of Directors. Prospective candidates may also be interviewed by other directors who are not members of the Governance and Nominating Committee. Reports from those interviews or from Governance and Nominating Committee members with personal knowledge and experience with the candidate, resumes, information provided by other contacts and other information deemed relevant by the Governance and Nominating Committee are then considered in determining whether a candidate shall be nominated. The Governance and Nominating Committee also exercises its independent business judgment and discretion in evaluating the suitability of a candidate for nomination.

Nomination Rights of Shareholders

As a shareholder, you may recommend one or more candidates to be considered by the Governance and Nominating Committee as a potential nominee or nominees for election as director of the Company at an annual meeting of shareholders. To do so, you must comply with the notice, information and consent provisions contained in the Company's Bylaws (current copies of the Company's Bylaws are available at no charge from the Secretary of the Company and may also be found in our public filings with the SEC). In order for the candidate recommendation to be timely for the Company's 2008 annual meeting of shareholders, your notice to the Company's General Counsel must be delivered to our principal executive offices no later than May 12, 2008. Any such recommendations received by the General Counsel will be presented to the Governance and Nominating Committee for consideration. All candidates (whether identified internally or by a shareholder) who, after evaluation based upon the criteria and process described in "Internal Process of Identifying Candidates" above, are then recommended by the Governance and Nominating Committee and if approved by the Board of Directors, will be included in our recommended slate of director nominees in our proxy statement.

Code of Ethics

We have adopted a code of ethics that applies to all members of the Board of Directors and our employees. You may obtain a copy of the code free of charge in the Corporate Governance section of our internet website (http://www.brinker.com/corp_gov/) or by written request directed to us, at 6820 LBJ Freeway, Dallas, Texas 75240, Attention: General Counsel.

EXECUTIVE OFFICERS

The Board of Directors generally elects executive officers annually at its final meeting preceding the annual meeting of shareholders. We have provided you below certain information about our executive officers. You may find information about Mr. Brooks in the prior section captioned "Election of Directors Information About Nominees."

Valerie L. Davisson, 45, is Executive Vice President and Chief PeopleWorks Officer, elected in June 2007. Ms. Davisson previously served as Executive Vice President of People Works, elected in June 2005, and as Senior Vice President of Human Resources since June 2004. Before joining the Company, Ms. Davisson served as Vice President, Human Resources for Yum! Brands, Inc. from January 2003 to June 2004, Vice President, Field Human Resources for Kentucky Fried Chicken from July 2002 to January 2003, Senior Director, Global Staffing for Yum! Brands, Inc from January 2000 to July 2002, and Director, Field Human Resources for Pizza Hut from December 1998 to January 2000.

Todd E. Diener, 50, is Executive Vice President and Chili's Grill & Bar President, elected in June 2005. Mr. Diener previously served as Executive Vice President and Chief Operating Officer since June 2003, Senior Vice President and Chili's Grill & Bar President since May 1998, and Senior Vice President and Chief Operating Officer of Chili's since July 1996. Mr. Diener joined the Company as a Chili's Manager Trainee in 1981 and was promoted to General Manager in 1983, Area Director in 1985, and Regional Director in 1987. Mr. Diener became Regional Vice President in 1989, a position he held until July 1996.

Rebeca M. Johnson, 51, is Executive Vice President of Marketing and Chief Marketing and Brand Officer, elected in April 2006. Ms. Johnson previously served as Executive Vice President of Marketing and Brand Development since June 2005 and Senior Vice President of Marketing and Brand Development since January 2004. Previously, Ms. Johnson worked at PepsiCo, Inc. for 16 years, most recently as Vice President of Marketing and General Manager for the Doritos and Cheetos brands for Frito Lay North America.

David M. Orenstein, 49, is Senior Vice President and On The Border President, elected in August 2002. Mr. Orenstein previously served as Chief Operating Officer of On The Border since May 2002 and Vice President of Operations for On The Border since June 1999. Mr. Orenstein joined the Company as a Chili's Manager in Training in 1984, was promoted to General Manager in 1986, and Area Director in 1988. Mr. Orenstein became a Regional Director in 1993, a position he held until 1997. Between 1997 and 1999, Mr. Orenstein owned and operated his own restaurant.

John Reale, 53, is Senior Vice President and Interim President of Romano's Macaroni Grill, appointed in August 2007. Mr. Reale also serves as Senior Vice President and Chief Operating Officer for Global Business Development, having been appointed to this role in June 2007, having previously served as Senior Vice President and Chief Operating Officer for Macaroni Grill from January 2005 to June 2007, and Regional Vice President for Macaroni Grill from February 2004 to January 2005. Previously, Mr. Reale was with Carlson Restaurants Worldwide from March 1995 until February 2004, most recently serving as Vice President of International Business. Mr. Reale was with Ground Round, Inc. from 1979 through 1995.

Wyman T. Roberts, 48, is Senior Vice President and Maggiano's Little Italy President, elected in August 2005. Mr. Roberts previously served as Executive Vice President and Chief Marketing Officer for NBC's Universal Parks & Resorts from December 2000 until August 2005. Mr. Roberts was previously employed by Darden Restaurants, Inc. for 16 years where he most recently served as Executive Vice President, Marketing.

Charles M. Sonsteby, 54, is Executive Vice President and Chief Financial Officer, elected in May 2001. Mr. Sonsteby joined the Company as Director of the Company's Tax, Treasury and Risk Management departments in 1990. In 1994 he was named Vice President and Treasurer and was promoted to Senior Vice President of Finance in 1997, a position he held until May 2001.

Roger F. Thomson, 58, is Executive Vice President, Chief Administrative Officer, General Counsel and Secretary, elected in June 1996. Mr. Thomson joined the Company as Senior Vice President, General Counsel and Secretary in 1993 and was promoted to Executive Vice President, General Counsel and Secretary in 1994. Mr. Thomson served as a Director of the Company from 1993 until 1995.

Greg L. Walther, 52, is Senior Vice President and Global Business Development President, elected in November 2006. Before joining the Company, Mr. Walther previously served as Chief Administrative Officer for Outback Steakhouse International, L.P., from January 2006 to November 2006 and as Chief Financial Officer from April 1995 to December 2005.

Michael B. Webberman, 47, is Executive Vice President of Brand Solutions, elected in June 2003. Mr. Webberman joined the Company in 1989 as a Senior Financial Analyst for Chili's. He was promoted to Vice President of Operations Analysis in 1996 and Vice President of Planning and Analysis in 2000. Mr. Webberman was named Senior Vice President of Concept Services in April 2001.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The casual dining segment of the industry faced a difficult operating environment in fiscal 2007 which prevented our brands from achieving targeted operating results. Negative comparable restaurant sales across all of our brands were due primarily to declines in customer traffic driven by several factors. There continues to be significant competition in casual dining and macro-economic pressures have decreased consumers' discretionary income. Despite the challenges we faced this year, we remain committed to our Company's strategies that are designed to build our business for the long-term and grow shareholder value. Our strategic priorities are focused on achieving our long-term vision of being the dominant, global casual-dining restaurant portfolio company, including the following:

- increasing our base business through industry-leading brand building, innovation and operating performance;
- developing, operating and franchising profitable restaurants worldwide; and
- leveraging our customers, business relationships, infrastructure and expertise across our portfolio of brands.

These strategies are designed to grow shareholder value by delivering long-term results and are intended to enable us to perform favorably in a variety of economic environments. During fiscal 2007, these strategies resulted in the following operational highlights:

- We increased net income by 8.3% and earnings per share by 14.2% in fiscal 2007 as compared to fiscal 2006.
- We increased the quarterly dividend in November 2006 by 35% and paid out $40.9 million in dividends during the fiscal year.
- We repurchased approximately 18.6 million shares of our common stock for approximately $569.3 million.
- We and our franchisees opened 149 company-owned and 46 franchised restaurants, including 30 international restaurants.
- We sold 95 company-owned Chili's restaurants to Pepper Dining, Inc., a new franchisee, with a commitment to develop an additional 14-38 new Chili's restaurants.
- We also sold 15 company-owned Chili's restaurants and two company-owned On The Border restaurants to other franchisees with commitments to develop an additional 31 new Chili's restaurants and 10 new On The Border restaurants.
- We entered into an agreement with ERJ Dining IV, LLC to sell 76 company-owned Chili's restaurants, with a commitment to develop an additional 49 new Chili's restaurants.
- In total, we entered into 18 development agreements with new or existing franchisees with commitments to develop 130-154 additional new restaurants over time.
- We increased our investment in team members, particularly at the hourly and restaurant management levels, to improve the overall guest experience, increase restaurant employee tenure and reduce future restaurant training and hiring costs.
- We sold a record $254.7 million in gift cards system-wide, redeemable across our portfolio of restaurant brands.
- We piloted a new customer engagement survey with a system-wide rollout planned to begin in fiscal 2008.

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Due to the challenging consumer environment and decreasing comparable restaurant sales through fiscal 2007, our results did not meet our planned level of performance. As such, our variable compensation programs paid out below target. Salary increases and equity awards for fiscal 2007 were established by balancing market competitiveness, company performance and individual performance.

Throughout this discussion we make reference to terms that are used internally to define our employee population. To limit the confusion of the reader, we have included a set of defined terms:

- "named executive officers" (NEOs) our five most highly compensated executives detailed in this discussion;
- "Brinker Leadership Team" this is our key leadership group of our CEO and our CEO's direct executive reports (which are our executive vice presidents and our brand presidents);
- "senior vice presidents and above" the group of our executive officers for whom the Committee specifically reviews and approves compensation. This group includes the Brinker Leadership Team as well as other key executive officers within our Company;
- "home office employee" any of our employees who work in a support role, not specifically for one of our restaurant brands; and
- "brand employee" any of our employees who work for a particular restaurant brand.

Overview

The Compensation Committee ("Committee") is comprised entirely of independent directors who are responsible for ensuring our compensation programs align with our compensation philosophy of rewarding performance. Specifically, the Committee reviews and approves any compensation decisions regarding senior vice presidents and above (with input from the CEO), including the Chairman and CEO. Further information about the duties of the Committee can be found in the Compensation Committee Charter, which can be found on our website at http://brinker.com/corp_gov/comp_committee.asp. To make certain the Committee is able to effectively carry out its responsibilities, it takes the following actions:

- Retains an independent consultant (currently Pearl Meyer & Partners) to advise on executive compensation.
- Benchmarks with an outside, independent third party vendor to determine competitive compensation levels based on a peer group that represents both restaurant companies and those companies with whom we compete for talent. The peer group for each officer may vary depending on the nature and scope of his/her individual responsibilities.
- Reviews annually detailed compensation tally sheets for the named executive officers.
- Submits recommendations to the full Board of Directors for ratification on matters concerning the CEO and compensation policy changes such as the implementation of stock ownership guidelines.
- Holds executive sessions (without our management present) at every Committee meeting.

Compensation Philosophy and Objectives

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

Provide competitive levels of compensation to attract and retain the best qualified executive talent. Both the Committee and our Brinker Leadership Team strongly believe that the caliber of our overall officer team makes a significant difference in our sustained success over the long-term.

Embrace a pay-for-performance philosophy by placing significant amounts of compensation "at risk". Throughout the organization, compensation is tied not only to our performance as a whole, but also to the attainment of individual Key Performance Indicators (KPIs) that are aligned with our long-term strategic initiatives.

Directly link our officers' interests with those of shareholders by providing opportunities for long-term incentive compensation based on changes in shareholder value and having executives satisfy stock ownership guidelines.

Benchmarking

To help assess the compensation of our senior vice presidents and above, including the named executive officers, each year the Committee engages an outside, independent third party vendor to provide market data (base salary, short-term incentive targets, long-term incentive values, and total compensation). For fiscal 2007, Mercer Human Resources Consulting ("Mercer") was retained for this purpose. The data provided to us consisted of a blend of both proxy information of peer companies as well as compensation survey data maintained by Mercer and Watson Wyatt Worldwide. The benchmarking peer group is carefully selected based on criteria including restaurant and brand product industries, operating structure, location and size. For fiscal 2007, we were close to the median in terms of revenue size as compared to our benchmarking peer group and Mercer regressed the data to our revenue size ensuring the data was relevant for comparison purposes. The following table lists the companies used in fiscal 2007 as our benchmarking peer group for the named executive officers:

Benchmarking Peer Group

Alberto-Culver	Cheesecake Factory	Michaels Stores
Applebees	Clorox	PF Chang's
Barnes & Noble	Darden Restaurants	Radioshack
Bed Bath & Beyond	Dean Foods	Ruby Tuesday
Blockbuster	Del Monte Foods	Sonic
Borders	Foot Locker	Starbucks
Campbell Soup	Hershey Foods	Wendy's
CBRL Group	Jack In The Box	YUM!
CEC Entertainment	Limited Brands	

Mercer provided the benchmark information at both the 50^{th} and 75^{th} percentiles which is used to establish ranges for total compensation. We do not, however, target a specific compensation level. We strive to be competitive in the marketplace by appropriately balancing all elements of compensation (short-term versus long-term and fixed versus variable) while recognizing our performance, as well as the individual's performance, criticality and experience. There is no set policy which determines the mix between cash and non-cash compensation, but in maintaining our compensation philosophy of paying for performance, compensation is more heavily weighted towards variable compensation (short and long-term) than base salary. This weighting is identified in the table below which shows our fixed versus variable mix for targeted total compensation.

Targeted Fixed Versus Variable Compensation Mix for the Named Executive Officers for Fiscal 2007

Name	Position	Fixed Compensation as a % of Target Total Compensation	Variable Compensation as a % of Target Total Compensation
Douglas H. Brooks	Chairman of the Board, President and CEO	19%	81%
Charles M. Sonsteby	EVP and CFO	27%	73%
Todd E. Diener	EVP and Chili's Grill & Bar President	27%	73%
Roger F. Thomson	EVP, CAO, General Counsel and Secretary	35%	65%
Michael B. Webberman	EVP Brand Solutions	31%	69%

For fiscal 2008, we retained Hewitt Associates ("Hewitt") to provide us with robust data drawn from their detailed proprietary database containing compensation levels at hundreds of companies. Using this database gives us a more relevant comparison of our compensation programs and compensation levels to the market as every component of compensation is valued with the same methodology for each company in their database. Proxy data from our Performance Share Plan peer group (which is identified in more detail in the Long-Term Incentives section of this Compensation Discussion and Analysis) was blended with data from Hewitt's database for the NEOs to provide us with benchmark information which we believe accurately reflects the market in which we compete for executive talent, particularly for the named executive officers.

Fiscal 2007 Executive Compensation Components:

For the fiscal year ended June 27, 2007, the principal components of compensation for our named executive officers were:

- Base Salary;
- Short-Term Incentives;
- Long-Term Incentives;
- Retirement Benefits;
- Health and Welfare Benefits; and
- Perquisites.

We do not have employment contracts with any of our named executive officers.