LINCOLN GOLD CORP
Form SB-2/A
February 16, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM SB-2 /A
Amendment No. 1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

LINCOLN GOLD CORPORATION

(Exact name of registrant as specified in charter)

NEVADA	1040	88-0419475
(State or jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

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(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement is declared effective.

If any securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registrations statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Units, each consisting of one share of Common Stock, $0.01 par value, and one half of one Class A Warrant and on Class B Warrant	$1,000,000	$107
Shares of Common Stock included as part of the Units(2)		
Class A Warrants included as part of the Units(2)(3)	$714,286	$76.42
Shares of Common Stock underlying the Class A Warrants included in the Units (2)(3)		
Class B Warrants included as part of the Units(2)(3)	$3,857,143	$412.71
Shares of Common Stock underlying the Class B Warrants included in the Units (2)(3)		
Total	$5,571,429	$596.13

(1) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.
(2) Public offering of Units, each Unit consisting of one share of Common Stock, $0.001 par value, one half of one Class A Warrant and one Class B Warrant.
(3) Pursuant to Rule 416, there are also being registered such indeterminable additional securities as may be issued as a result of the anti-dilution provisions contained in the warrants or options.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

(Subject to Completion) Dated ___, 2006

PRELIMINARY PROSPECTUS

LINCOLN GOLD CORPORATION
a Nevada Corporation

2,857,143 UNITS

We are offering up to 2,857,143 units at a price of 0.35 per unit (the Offering). Each unit (each a Unit and together the Units) will consist of:

(a) one share of our common stock (each a Share and together the Shares);

(b) one half of one non-transferable Class A Warrant, each whole Class A Warrant is exercisable to acquire one share of common stock at a price of 0.50 per share until 5:00 p.m. (New York time) on the date that is one year from the date of issuance (each a Class A Warrant and together the Class A Warrants); and

(c) one non-transferable Class B Warrant, each whole Class B Warrant is exercisable to acquire one share of common stock at a price of 1.35 per share until 5:00 p.m. (New York time) on the date that is four years from the date of issuance (each a Class B Warrant and together the Class B Warrants).

Our directors and officers will be selling the shares of our common stock that we are offering. We do not presently have any agreement with any underwriter. We are offering the Units on a self-underwritten basis without any minimum or maximum purchase requirements. There are no arrangements to place the funds received from sales of the Units in an escrow, trust or similar arrangement.

	Price to Public	**Net Proceeds to Company**(1)(2)
Per Unit	0.35	0.35
Total Offering(2)(4)	$1,000,000	$1,000,000

(1) There is no minimum amount of Units to be sold or proceeds to be raised in the Offering.
(2) Assumes that all Units offered in the Offering are sold.

Our common shares are presently traded on the NASD Over the Counter Bulletin Board under the symbol LGCP. The closing price of our common shares on February 8, 2006 was $ 0.27 per share. Our common shares are not listed on any national securities exchange or the Nasdaq Stock Market.

Our principal offices are located at Suite 350, 885 Dunsmuir Street, Vancouver, British Columbia, Canada V6C 1N5. Our telephone number is 604-688-7377.

THE PURCHASE OF THE SECURITIES OFFERED THROUGH THIS PROSPECTUS INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY READ AND CONSIDER THE SECTION OF THIS PROSPECTUS ENTITLED RISK FACTORS ON PAGES 11 THROUGH 15 BEFORE BUYING ANY OF OUR UNITS.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The following table of contents has been designed to help you find important information contained in this prospectus. We encourage you to read the entire prospectus.

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SUMMARY

As used in this prospectus, unless the context otherwise requires, we , us , our or Lincoln Gold refers to Lincoln G Corporation. The following summary is not complete and does not contain all of the information that may be important to you. You should read the entire prospectus before making an investment decision to purchase our common shares. All dollar amounts refer to US dollars unless otherwise indicated.

Our Business

We are engaged in the acquisition and exploration of mineral properties in the State of Nevada and in Mexico. We hold interests in five groups of mineral properties, with four properties located in Nevada and one property located in Mexico, as described below:

Name of Property	Location
Buffalo Valley Property	Humboldt, Lander & Pershing Counties, Nevada
Hannah Property	Churchill County, Nevada
JDS Property	Eureka County, Nevada
Jenny Hill Property	Mineral & NYE Counties, Nevada
La Bufa Property	Mexico

Our plan of operations is to carry out exploration of our mineral properties. Our specific exploration plan for each of our mineral properties, together with information regarding the location and access, history of operations, present condition and geology of each of our properties, is presented in this prospectus under the heading Description of Properties. All of our exploration programs are preliminary in nature in that their completion will not result in a determination that any of our properties contains commercially exploitable quantities of mineralization.

We are an exploration stage company. All of our projects are at the exploration stage and there is no assurance that any of our mining claims contain a commercially viable ore body. We plan to undertake further exploration of our properties. We anticipate that we will require additional financing in order to pursue full exploration of these claims. We do not have sufficient financing to undertake full exploration of our mineral claims at present and there is no assurance that we will be able to obtain the necessary financing.

There is no assurance that a commercially viable mineral deposit exists on any of our mineral properties. Further exploration beyond the scope of our planned exploration activities will be required before a final evaluation as to the economic and legal feasibility of mining of any of our properties is determined. There is no assurance that further exploration will result in a final evaluation that a commercially viable mineral deposit exists on any of our mineral properties.

We have no revenues, have achieved losses since inception, have been issued a going concern opinion by our auditors and rely upon the sale of our securities to fund operations. We will not generate revenues even if our exploration program indicates that a mineral deposit may exist on our mineral claims. Accordingly, we will dependent on future additional financing in order to maintain our operations and continue our exploration activities.

We were incorporated under the laws of the State of Nevada on February 17, 1999. Our principal offices are located are located at Suite 350, 885 Dunsmuir Street, Vancouver, British Columbia, Canada V6C 1N5. Our telephone number is 604-688-7377.

The Offering

The Issuer:	Lincoln Gold Corporation
Securities Offered:	Up to 2,857,143 Units consisting of: one share of common stock, one-half of one non-transferable Class A Warrant and one non-transferable Class B Warrant. Each whole Class A Warrant is exercisable to acquire one share of common stock at 0.50 per share and will expire on the date that is one year from the date of issuance. Each whole Class B Warrant is exercisable to acquire one share of common stock at 1.35 per share and will expire on the date that is four years from the date of issuance. Each of the Class A Warrants and the Class B Warrants will be subject to accelerated exercise provisions, as described below under Description of Securities .

Offering Price:	0.35 per Unit
Common Stock Outstanding as of February 6, 2006	41,865,000 shares of common stock

Number of Units Offered	Up to 2,857,143 Units
Number of Shares of Common Stock Outstanding After Offering, assuming no Class A or Class B Warrants have been exercised	44,722,143 Shares

Number of Class A Warrants Outstanding After Offering, if all Units are sold	1,428,572 Class A Warrants

Number of Class B Warrants Outstanding After Offering, if all Units are sold	2,857,143 Class B Warrants
Number of Shares of Common Stock Outstanding Assuming Exercise of all of the Class A Warrants and Class B Warrants	49,007,858 Shares
Use of Proceeds	We expect to use the net proceeds from this offering to fund the exploration of our mineral properties and for general corporate purposes. See Use of Proceeds.
Dividend Policy	We currently intend to retain any future earnings to fund the development and growth of our business. Therefore, we do not currently anticipate paying cash dividends.
Market for Our Common Stock:	Our common stock is presently traded on the NASD Over the Counter Bulletin Board under the symbol LGCP .

Risk Factors:	See Risk Factors and the other information in this prospectus for a discussion of the factors you should consider before deciding to invest in our common shares.

Summary of Financial Data

The following consolidated financial data has been derived from and should be read in conjunction with our audited financial statements for the year ended December 31, 2004 and for the periods from inception (September 25, 2003) to December 31, 2004 and 2003 and our unaudited financial statements for the nine months ended September 30, 2005, together with the notes to our financial statements and the section of this prospectus entitled "Management's Discussion and Analysis and Plan of Operation":

Balance Sheets

	September 30, 2005 (Unaudited)	December 31, 2004 (Audited)	December 31, 2003 (Audited)
Cash	$238,613	$127,785	$15,405
Total Assets	$255,242	$127,785	$15,405
Total Liabilities	$151,933	$371,744	$15,374
Total Stockholders Equity	$103,109	($243,959)	$31
(Deficit)			

Statements of Operations

	Nine months Ended September 30, 2005 (Unaudited)	Year Ended December 31, 2004 (Audited)	From inception (September 25, 2003) to December 31, 2003 (Audited)	From inception (September 25, 2003) to September 30, 2005 (Unaudited)
Revenue	$ -	$ -	$ -	$ -
Expenses	($1,188,975)	($1,691,351)	($16,319)	($2,873,960)
Net Loss for the Period	($1,202,022)	($1,691,351)	($16,319)	($2,909,692)

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below and the other information in this prospectus before investing in our common stock. If any of the following risks occur, our business, operating results and financial condition could be seriously harmed. The trading price of our common stock, when and if we trade at a later date, could decline due to any of these risks, and you may lose all or part of your investment.

Risks Related To Our Operating Results

If we do not obtain additional financing, our business plan will fail.

As of September 30, 2005, we had cash on hand of $238,613 and working capital of $95,259. Our business plan calls for us to spend approximately $1,500,000 in connection with the exploration of our mineral claims during the next twelve months, the maintenance of our interests in our mineral claims and our general and administrative expenses during the next twelve months. Based on our cash and working capital position, we will require additional financing in the approximate amount of $1,400,000 in order to complete our plan of operations for the next twelve months. We currently do not have any arrangements for financing and we may not be able to obtain financing when required. Obtaining additional financing would be subject to a number of factors, including the market price of gold. These factors may make the timing, amount, terms or conditions of additional financing unavailable to us.

If we are unable to maintain our interests in our Nevada mineral claims, then we will lose our interests in these mineral claims.

We are required to make substantial payments in order to maintain our interests in certain of our Nevada mineral claims. Over the next twelve months, we must make payments totalling $65,000 in lease and option payments in order to maintain our interests in our Buffalo Valley, Hanna, Lincoln Flat and Jenny Hill mineral properties. Our inability to make these payments due to a lack of financing or our determination not to make these payments will result in our losing our interests in these claims. If we are not able to maintain our interests in our mineral claims, then we will not be able to carry out our plan of operations.

Because we have only recently commenced preliminary exploration of our Nevada mineral claims, we face a high risk of business failure and this could result in a total loss of your investment.

We have not begun the initial stages of exploration of our mineral claims, and thus have no way to evaluate the likelihood whether we will be able to operate our business successfully. To date, we have been involved primarily in organizational activities, acquiring interests in mineral claims and in conducting preliminary exploration of mineral claims. We have not earned any revenues and have not achieved profitability as of the date of this prospectus. Potential investors should be aware of the difficulties normally encountered by new mineral exploration companies and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration of the mineral properties that we plan to undertake. These potential problems include, but are not limited to, unanticipated problems relating to exploration and additional costs and expenses that may exceed current estimates. We have no history upon which to base any assumption as to the likelihood that our business will prove successful, and we can provide no assurance to investors that we will generate any operating revenues or ever achieve profitable operations. If we are unsuccessful in addressing these risks, our business will likely fail and you will lose your entire investment in this offering.

Because we do not have any revenues, we expect to incur operating losses for the foreseeable future.

We have never earned revenues and we have never been profitable. Prior to completing exploration on the mineral property, we anticipate that we will incur increased operating expenses without realizing any revenues. We therefore expect to incur significant losses into the foreseeable future. If we are unable to generate financing to continue the exploration of our mineral claims, we will fail and you will lose your entire investment in this offering.

We have yet to attain profitable operations and because we will need additional financing to fund our exploration activities, our accountants believe there is substantial doubt about the company s ability to continue as a going concern

We have incurred a net loss of $2,909,692 for the period from September 25, 2003 (inception) to September 30, 2005, and have no revenues to date. Our ability to continue the exploration of our mineral claims is dependent upon our ability to obtain financing. These factors raise substantial doubt that we will be able to continue as a going concern.

Our financial statements included with this prospectus have been prepared assuming that we will continue as a going concern. Our auditors have made reference to the substantial doubt as to our ability to continue as a going concern in their audit report on our audited financial statements for the year ended December 31, 2004. If we are not able to achieve revenues, then we may not be able to continue as a going concern and our financial condition and business prospects will be adversely affected.

If our costs of exploration are greater than anticipated, then we will not be able to complete our planned exploration programs for our mineral claims without additional financing, of which there is no assurance that we would be able to obtain.

We are proceeding with the initial stages of exploration on our mineral claims. We have prepared budgets for our exploration programs. However, there is no assurance that our actual costs will not exceed the budgeted costs. Factors that could cause actual costs to exceed budgeted costs include increased prices due to competition for personnel and supplies during the Nevada summer exploration season, unanticipated problems in completing the exploration programs and delays experienced in completing the exploration program. Increases in exploration costs could result in us not being able to carry out our exploration programs without additional financing. There is no assurance that we would be able to obtain additional financing in this event.

Because of the speculative nature of exploration of mining properties, there is substantial risk that no commercially exploitable minerals will be found and our business will fail.

We are in the initial stages of exploration of our mineral claims, and thus have no way to evaluate the likelihood that we will be successful in establishing commercially exploitable reserves of gold or other valuable minerals on our mineral claims. Potential investors should be aware of the difficulties normally encountered by new mineral exploration companies and the high rate of failure of such enterprises. The search for valuable minerals as a business is extremely risky. We may not find commercially exploitable reserves of gold or copper in any of our mineral claims. Exploration for minerals is a speculative venture necessarily involving substantial risk. The expenditures to be made by us on our exploration programs may not result in the discovery of commercial quantities of ore. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration of the mineral properties that we plan to undertake. Problems such as unusual or unexpected formations and other conditions are involved in mineral exploration and often result in unsuccessful exploration efforts. In such a case, we would be unable to complete our business plan.

Because of the inherent dangers involved in mineral exploration, there is a risk that we may incur liability or damages as we conduct our business.

The search for valuable minerals involves numerous hazards. In the course of carrying out exploration of our mineral claims, we may become subject to liability for such hazards, including pollution, cave-ins and other hazards against which we cannot insure or against which we may elect not to insure. We currently have no such insurance nor do we expect to get such insurance for the foreseeable future. If a hazard were to occur, the costs of rectifying the hazard may exceed our asset value and cause us to liquidate all of our assets, resulting in the loss of your entire investment in this offering.

If we discover commercial reserves of precious metals on any of our mineral properties, we can provide no assurance that we will be able to successfully advance the mineral claims into commercial production.

Our mineral properties do not contain any known bodies of ore. If our exploration programs are successful in establishing ore of commercial tonnage and grade on any of our mineral claims, we will require additional funds in order to advance the mineral claims into commercial production. In such an event, we may be unable to obtain any such funds, or to obtain such funds on terms that we consider economically feasible, and you may lose your entire investment in this offering.

Because access to our mineral claims is often restricted by inclement weather, we may be delayed in our exploration and any future mining efforts.

Access to certain of our mineral claims may be restricted to the period between April and November of each year due to snow and storms in the area. Inclement weather may result in significant delays in exploration efforts and may increase the costs of exploration, with the result that we may not be able to complete our exploration programs within the anticipated time frames or within our anticipated budgets.

As we undertake exploration of our mineral claims, we will be subject to compliance with government regulation that may increase the anticipated time and cost of our exploration program.

There are several governmental regulations that materially restrict the exploration of minerals. We will be subject to the mining laws and regulations as contained in the Nevada Statutes and Nevada Administrative Code as we carry out our exploration program. We may be required to obtain work permits, post bonds and perform remediation work for any physical disturbance to the land in order to comply with these regulations. While our planned exploration program budgets for regulatory compliance, there is a risk that new regulations could increase our time and costs of doing business and prevent us from carrying out our exploration program.

If we do not find a joint venture partner for the continued exploration of our mineral claims, we may not be able to advance the exploration work.

We may try to enter into joint venture agreements with potential partners for the further exploration and possible production of our mineral claims, particularly where we believe drilling of a mineral claim is warranted. We would face competition from other junior mineral resource exploration companies if we attempt to enter into a joint venture agreement with a partner. The possible partner could have a limited ability to enter into joint venture agreements with junior exploration programs and will seek the junior exploration companies who have the properties that they deem to be the most attractive in terms of potential return and investment cost. In addition, if we entered into a joint venture agreement, we would likely assign a percentage of our interest in the mineral claims to the joint venture partner. If we are unable to enter into a joint venture agreement with a partner, we may not be able to complete certain exploration work on certain of our properties, including planned drilling.

Risks Relating To Our Common Stock

If we do not maintain an effective registration statement covering the warrants offered in our units, or comply with applicable state securities laws, you may not be able to exercise the warrants or you may be restricted from selling the underlying common stock.

In order for you to exercise the Class A Warrants and the Class B Warrants, the shares of common stock underlying them must be covered by an effective registration statement filed with the United States Securities and Exchange Commission unless an exemption from such requirements is otherwise available. If the issuance of shares is not exempt under state securities laws, the shares must be properly registered with state securities regulators. At present, we plan to maintain an effective registration statement when the Class A Warrants and the Class B Warrants are exercised. However, we cannot provide any assurance that state exemptions will be available, the state authorities will permit us to register the underlying shares, or that an effective registration statement will be in place at all relevant times. These factors may limit your ability to exercise the Class A Warrants and Class B Warrants unless an applicable registration exemption is available. Even if such an exemption is available, the underlying shares of common stock may be subject to regulatory resale restrictions that would effectively limit your ability to sell the shares. The Class A Warrants and the Class B Warrants are non-transferable.

Purchasers of shares of common stock offered in this offering will suffer an immediate dilution due to this offering.

Purchasers of the shares of common stock offered hereby will incur an immediate and substantial dilution in the net tangible book value per share of the shares of common stock from the initial public offering price. Dilution per share to new investors in this offering represents the difference between the amount per share paid by new investors for a share of our common stock and the as-adjusted, net tangible book value per common share immediately following our offering. Set forth under the heading “Dilution” in this prospectus, we have provided information to new investors, assuming the successful sale of our units assuming the sale of the maximum number of units. In these calculations, we have counted one share per unit but have not included any of the warrants included in the units. After giving effect to the sale of 2,857,143 units, assuming we sold the maximum number of units offered at an offering price of $0.35 per unit, the as adjusted, net tangible book value of our common stock would have been $1,103,309 or $0.025 per share at September 30, 2005. Although these calculations show an immediate increase in the pro forma net tangible book value per common share of $0.0225 per share, they also disclose the immediate dilution per common share purchased by new investors of $0.325 per Unit or 93.0%. See “Dilution” below.

Future sales of our common stock may depress our stock price thereby decreasing the value of your investment.

The market price of our common stock could decline as a result of sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur. In addition, these factors could make it more difficult for us to raise funds through future offerings of common stock. There will be an aggregate of 44,722,143 shares of common stock outstanding immediately after this offering if the maximum amount is raised, assuming we sold the maximum number of units offered. All of the shares of common stock sold in the offering will be freely transferable without restriction or further registration under the Securities Act, except for any shares purchased by our "affiliates," as defined in Rule 144 of the Securities Act.

Our stock is a penny stock. Trading of our stock may be restricted by the SEC's penny stock regulations and the NADSD s sales practice requirements, which may limit a stockholder's ability to buy and sell our stock.

Our stock is a penny stock. The Securities and Exchange Commission has adopted Rule 15g-9 which generally defines "penny stock" to be any equity security that has a market price (as defined) less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors". The term "accredited investor" refers generally to institutions with assets in excess of $5,000,000 or individuals with a net worth in excess of $1,000,000 or annual income exceeding $200,000, or $300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser, and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock.

In addition to the "penny stock" rules promulgated by the Securities and Exchange Commission, the NASD has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, the NASD believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The NASD requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

Please read this prospectus carefully. You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. You should not assume that the information provided by the prospectus is accurate as of any date other than the date on the front of this prospectus.

In the event that your investment in our shares is for the purpose of deriving dividend income or in expectation of an increase in market price of our shares from the declaration and payment of dividends, your investment

will be compromised because we do not intend to pay dividends.

We have never paid a dividend to our shareholders, and we intend to retain our cash for the continued development of our business. We do not intend to pay cash dividends on our common stock in the foreseeable future. As a result, your return on investment will be solely determined by your ability to sell your shares in a secondary market.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties, including statements regarding our capital needs, business plans and expectations. Such forward-looking statements involve risks and uncertainties regarding the market price of gold and copper, availability of funds, government regulations, operating costs, exploration costs, outcomes of exploration programs and other factors. Forward-looking statements are made, without limitation, in relation to operating plans, property exploration and development, availability of funds, environmental reclamation, operating costs and permit acquisition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential" or "continue", the negative of such terms or other comparable terminology. Actual events or results may differ materially. In evaluating these statements, you should consider various factors, including the risks outlined in this prospectus. These factors may cause our actual results to differ materially from any forward-looking statement. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding our business plans, our actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. We do not intend to update any of the forward-looking statements to conform these statements to actual results, except as required by applicable law, including the securities laws of the United States.

The safe harbour for forward-looking statements provided in the Private Securities Litigation Reform Act of 1995 does not apply to the offering made in this prospectus.

DESCRIPTION OF SECURITIES

We are offering up to 2,857,143 units at a price of $0.35 per unit (the “Offering”). Each unit (each a “Unit and together the “Units”) will consist of:

(a) one share of our common stock (each a Share and together the Shares);

(b) one half of one non-transferable Class A Warrant, each whole Class A Warrant is exercisable to acquire one share of common stock at a price of $ 0.50 per share until 5:00 p.m. (New York time) on the date that is one year from the date of issuance (each a “Class A Warrant and together the “Class A Warrants”); and

(c) one non-transferable Class B Warrant, each whole Class B Warrant is exercisable to acquire one share of common stock at a price of $ 1.35 per share until 5:00 p.m. (New York time) on the date that is four years from the date of issuance (each a “Class B Warrant and together the “Class B Warrants”).

Each of the Class A Warrants and the Class B Warrants will be subject to an accelerated exercise period. If the closing price of our common stock is above 0.55 per share for twenty consecutive trading days, then the expiry date for our Class A Warrants will be accelerated to the date that is thirty calendar days from the date that is the twentieth consecutive trading day above the price threshold. If the closing price of our common stock is above $1.50 per share for twenty consecutive trading days, then the expiry date for the Class B Warrants will be accelerated to the date that is thirty calendar days from the date that is the twentieth consecutive trading day above the price threshold. Any warrants not exercised within the accelerated exercise period will expire.

Common Stock

Our authorized capital stock consists of 100,000,000 shares of common stock, with a par value of $0.001 per share. As of February 6, 2006, there were 41,865,000 shares of our common stock issued and outstanding held by 89 shareholders of record.

Our common stock is entitled to one vote per share on all matters submitted to a vote of the stockholders, including the election of directors. Except as otherwise required by law or as provided in any resolution adopted by our board of directors with respect to any series of preferred stock, the holders of our common stock will possess all voting power. Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all shares of our common stock that are present in person or represented by proxy, subject to any voting rights granted to holders of any preferred stock. Holders of our common stock representing one-percent (1%) of our capital stock issued, outstanding and entitled to vote, represented in person or by proxy, are necessary to constitute a quorum at any meeting of our stockholders. A vote by the holders of a majority of our outstanding shares is required to effectuate certain fundamental corporate changes such as liquidation, merger or an amendment to our Articles of Incorporation. Our Articles of Incorporation do not provide for cumulative voting in the election of directors.

The holders of shares of our common stock will be entitled to such cash dividends as may be declared from time to time by our board of directors from funds available therefor. See Dividend Policy.

The holders of shares of our common stock will be entitled to receive pro rata all of our assets available for distribution to such holders.

In the event of any merger or consolidation of our company with or into another company in connection with which shares of our common stock are converted into or exchangeable for shares of stock, other securities or property (including cash), all holders of our common stock will be entitled to receive the same kind and amount of shares of stock and other securities and property (including cash).

Holders of our common stock have no pre-emptive rights, no conversion rights and there are no redemption provisions applicable to our common stock.

DETERMINATION OF OFFERING PRICE

The offering price of $ 0.35 per Unit has been determined arbitrarily based on the trading price of our common stock on the NASD Bulletin Board. The offering price does not have any relationship to any established criteria of value, such as book value or earning per share. Additionally, because we have no significant operating history and have not generated any revenues to date, the price of the common stock is not based on past earnings, nor is the price of the common stock indicative of the current market value of the assets owned by us. No valuation or appraisal has been prepared for our business and potential business expansion. Our common stock is presently traded on the NASD Bulletin Board.

USE OF PROCEEDS

We anticipate that the gross proceeds of the Offering will be $1,000,000 if the maximum number of Units offered hereby are sold. We propose to use the proceeds from this Offering for the following business purposes and in the following order of priority:

DESCRIPTION OF USE OF PROCEEDS	ESTIMATED USE OF PROCEEDS
1. Exploration of the Buffalo Valley Property, Nevada	$5,000
2. Exploration of the Hannah Property, Nevada	$97,000
3. Exploration of the JDS Property, Nevada	$133,000
4. Exploration of the Jenny Hill Property, Nevada	$330,000
5. Reclamation of the Lincoln Flat Property, Nevada	$15,000
6. Exploration of the La Bufa Property, Mexico	$370,000
Net Proceeds of the Offering:	$950,000
Expenses of the Offering (1)	$50,000
Gross Proceeds of the Offering:	$1,000,000

(1) We anticipate expenses associated with the Offering, including legal, accounting and stock transfer agent expenses, will be approximately $50,000.

If we sell less than all of the Units, then we have less funds available to fund our business operations. Our planned use of proceeds if we sell less than all of the Units is set forth below if 25%, 50%, 75% and 100% of the Units offering being sold:

Percentage of the Offering Completed:	**If 25% of the Shares are Sold**	**If 50% of the Shares are Sold**	**If 75% of the Shares are Sold**	**If 100% of the Shares are Sold**
1. Buffalo Valley Property, Nevada	$5,000	$5,000	$5,000	$5,000
2. Hannah Property, Nevada	$8,000	$97,000	$97,000	$97,000
3. JDS Property, Nevada	$9,000	$90,000	$90,000	$133,000
4. Jenny Hill Property, Nevada	$52,000	$120,000	$241,000	$330,000
5. Lincoln Flat Property, Nevada	$15,000	$15,000	$15,000	$15,000
6. La Bufa Property, Mexico	$101,000	$123,000	$252,000	$370,000
Net Proceeds of the Offering:	$200,000	$450,000	$700,000	$950,000
Expenses of the Offering:	$50,000	$50,000	$50,000	$50,000
Gross Proceeds of the Offering:	$250,000	$500,000	$750,000	$1,000,000

We may apply the proceeds of this Offering to the categories of expenses listed above in a manner that is different from the break-down of expenditures provided above. Factors that may cause us to re-allocate the proceeds of the Offering within these categories of expenditures are listed in the Use of Proceeds section include the following:

1. Our exploration expenses may be greater than anticipated;

2. We may determine to change our planned exploration programs on our mineral properties based on the results of our exploration activities, which may increase or decrease exploration expenses on any particular property;

3. Our general and administrative costs being greater than anticipated; and

4. The costs of this Offering being greater than anticipated.

The actual expenditures of the proceeds of the Offering within the categories of expenditures that we have provided will vary according to the expenditures deemed by us and our board of directors to be in the best interests of advancing the our business, based on the considerations described above and the amount of funds available to us. The actual expenditures will also vary from the estimated use of proceeds if less than all of the offered Units are sold.

Investors are referred to the description of our Plan of Operations under the section of this Prospectus entitled Description of Business for a more complete description of our capital requirements. See Risk Factors .

DILUTION

Investors who purchase the Units will suffer dilution as the offering price of the shares will exceed the per share net tangible book value of our common stock upon completion of the Offering. Our net tangible book value is the amount that results from subtracting our total liabilities and intangible assets from our total assets. The per share net tangible book value of our common stock is our net tangible book value divided by the number of shares of our common stock outstanding. Dilution that will be suffered by investors who purchase the Units is the difference between the offering price of the Shares comprising a part of the Units and the per share net tangible book value of our common stock upon completion of the Offering after giving effect to the receipt of the proceeds of the Offering. Dilution arises mainly as a result of our arbitrary determination of the offering price of the Units being offered. Dilution of the value of the Units purchased is also a result of the lower net tangible book value of the shares held by our existing stockholders.

Our net tangible book value prior to the Offering is stated below, with per share net tangible book value and the number of our shares of common stock outstanding. This information is presented based on our balance sheet as of September 30, 2005, being the date of our most recent balance sheet included with this Prospectus:

Net Tangible Book Value:	$103,309
Per Share Net Tangible Book Value:	$0.0025 per share
Total Number of Shares Outstanding:	41,865,000 shares

If we sell all Units offered at the offering price, our pro forma net tangible book value will be increased by $1,000,000 to approximately $1,103,309, being the proceeds of the Offering without deduction of expenses. See Use of Proceeds. Our net tangible book value after giving effect to the Offering if all Units are sold is stated below, with per share net tangible book value and the number of our shares of common stock outstanding. This information is presented on a pro forma basis based on our balance sheet as of September 30, 2005 after giving effect to our receipt of the net proceeds of the Offering and assumes no exercise of the Series A or Series B Warrants:

Pro Forma Net Tangible Book Value:	1,103,309
Pro Forma Per Share Net Tangible Book Value:	0.025 per share
Pro Forma Total Number of Shares Outstanding:	44,722,143 shares

As the pro forma per share net tangible book value is greater than the offering price, investors will suffer immediate dilution of approximately $0.325 per share, or approximately 93.0%, if all Units are sold.

If less than the maximum number of Units are sold, dilution to participating investors will be higher. Dilution to participating investors will increase as the number of Units sold is reduced. The dilution to investors is illustrated below based on 25%, 50%, 75% and 100% of the Units offered being sold.

Percentage of the Offering Completed:	**If 25% of the Units are Sold**	**If 50% of the Units are Sold**	**If 75% of the Units are Sold**	**If 100% of the Units are Sold**
Pro Forma Net Tangible Book Value:	353,309	603,309	853,309	1,103,309
Pro Forma Per Share Net Tangible Book Value:	0.008 per share	0.014 per share	0.0194 per share	0.025 per share

Pro Forma Total Number of Shares Outstanding:	42,579,286 shares	43,293,571 shares	44,007,857 shares	44,722,143 shares
Per Share Dilution to New Investors:	0.342 per share	0.336 per share	0.331 per share	0.325 per share
Percentage Dilution to New Investors:	97.7 %	96.0 %	94.5 %	93.0 %

PLAN OF DISTRIBUTION

The Offering

We are offering up to 2,857,143 Units, as described above under "Description of Securities".

Self-Underwritten Offering

Our officers and directors named below will be selling the common stock offered by us through this Prospectus:

Name of Officer/ Director	Position
Paul Saxton	Director, President, Chief Executive Officer and Chief Financial Officer
Andrew Milligan	Director
Jeffrey L. Wilson	Vice-President - Exploration

Our executive officers and directors will seek to sell our common stock in this Offering by contacting persons with whom they have a prior relationship and whom they believe will have an interest in the offering. These persons will be contacted through various methods, including mail, telephone and other means.

We will not be employing the services of an underwriter or placement agent in connection with this Offering. The common stock will be offered on a "best efforts" basis by our executive officers and directors without the payment of any commissions or other remuneration. In addition, we will not be paying any commissions or fees, directly or indirectly, to finder or dealer in connection with the solicitation of purchasers of our common stock being offered. We are therefore offering the shares on a self-underwritten basis.

We will rely on Rule 3a4-1 under the Securities Exchange Act of 1934 which sets forth conditions under which a person associated with an issuer of securities may participate in the offering and not be deemed a broker-dealer. These conditions are as follows:

(a) The person is not subject to a statutory disqualification, as that terms is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, at the of his participation;

(b) The person is not compensated in connection with their participation by payment of commissions or other remuneration based either directly or indirectly on transactions in our common stock;

(c) The person is not, at the time of his participation, an associated person of a broker-dealer; and

(d) The person primarily performs, or is intended primarily to perform at the end of the offering, substantial duties for or on behalf of the issuer otherwise than in connection with transactions in securities; and has not been an associated person of a broker -dealer within the preceding twelve months and does not participate in offering and selling securities for any issue more than once every twelve months other than in reliance on Section 3(a)4-1.

Our executive officers and our directors satisfy all of the foregoing conditions of Rule 3(a)4-1.

No Minimum Number of Shares to be Sold

There is no minimum number of Units required to be sold in this Offering. There will be no arrangements for the return of funds to subscribers if all of the Units are not sold.

Term of the Offering

The Offering will be conducted on a continuous basis until all shares being offered are subscribed for or until the offering is terminated by us, or until March 31, 2006, whichever first occurs. We reserve the right to terminate this Offering at any time or to extend this Offering for an additional ninety (90) day period at our option without notice.

Investment Procedure

In order to subscribe for Units, an investor must complete and execute the form of subscription agreement attached to this Prospectus and deliver the executed subscription agreement to us together with payment of the purchase price for the Units payable to Lincoln Gold Corporation by cashier s or certified check.

We may reject or accept any subscription in whole or in part at our discretion. We may close the Offering or any portion of the Offering, without notice to subscribers. We may immediately use the proceeds obtained from the Offering for the uses set forth in the Use of Proceeds section of this prospectus, as described above.

Upon our acceptance of a subscription agreement, we will deliver to each subscriber a copy of the fully executed agreement evidencing the number of shares subscribed for. If we do not accept any subscription or any portion of a subscription, the amount of the subscription not accepted will be returned by us to the subscriber. We will deliver a share certificate representing the Units purchased within a reasonable period following the acceptance of any subscription.

There is no minimum investment or minimum number of shares of common stock that must be sold under this Offering. Accordingly, we may accept any subscription from a subscriber notwithstanding that the total number of Units offered has been sold.

LEGAL PROCEEDINGS

We currently are not party to any material legal proceedings and, to our knowledge, no such proceedings are threatened or contemplated.

DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

Our current executive officers and directors are:

Name	Age	Position
Andrew F. B. Milligan (1)	82	Director and Chairman of the Board
Paul F. Saxton (1)	58	Director, President, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer
James Chapman	51	Director
James Currie	54	Director
Steven Chi (1)	66	Director
Jeffrey L. Wilson	56	Vice-President - Exploration

(1) Member of our Audit Committee.

Set forth below is a brief description of the background and business experience of each of our executive officers and directors for the past five years:

Paul F. Saxton, President, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Director

Mr. Saxton was appointed as a director of the Company on March 26, 2004. Our board of directors also appointed Mr. Saxton as our chief executive officer and our chief financial officer as of March 26, 2004. Paul Saxton is a mining engineer who also holds an MBA from the University of Western Ontario. He has been active in the mining industry since 1969, holding various positions including mining engineer, mine superintendent, President and CEO of numerous Canadian mining companies. Following 10 years with Cominco, Paul became Vice President and

President of Mascot Gold Mines Ltd., initially working on the design and construction of the Nickel Plate mine in BC. Subsequently Paul became a Vice-President of Corona Corporation where he was responsible for western operations and exploration for the company and was instrumental in the re-opening of the Nickel Plate. In 1989, Paul was appointed Senior Vice President of Viceroy Resource Corporation where he was responsible for obtaining financing and the construction and operations of the Castle Mountain mine in California. As President of Loki Gold Corporation and Baja Gold Inc, Paul was responsible for bringing the Brewery Creek Gold mine into production. Following his departure from Viceroy in 1998, Paul became President of Standard Mining Corp., organizing the company and supervising its exploration activities until 2001, when Standard Mining Corp. was merged with Doublestar Resources Ltd.

Andrew F. B. Milligan, Chairman and Director

Mr. Andrew Milligan was appointed as one of our directors on March 26, 2004. Our board of directors also appointed Mr. Milligan as our chairman as of March 26, 2004. Mr. Milligan is a business executive who has concentrated on mining ventures over the past 25 years. From 1984 to 1986 he was President and Chief Executive Officer of Glamis Gold Ltd. In November 1986 he was appointed President and Chief Executive Officer of Cornucopia Resources Ltd. In 1998 and 1999 Cornucopia disposed of its gold mining interests and subsequently merged with three other companies to form Quest Investment Corporation. Mr. Milligan was a director of Quest until June, 2003. He is currently a director of several mining companies trading on both the American Stock Exchange and the TSX Venture Exchange.

James Chapman, Director

Mr. Chapman was appointed as one of our directors on April 12, 2004. Mr. Chapman graduated from the University of British Columbia in 1976 with a B.Sc. Geology degree and has focused on mineral exploration primarily for junior mining companies and consulting groups. This experience has incorporated all aspects of the industry from property evaluation, project generation through implementation and report preparation for owners, clients and regulatory authorities. Since 1982 he has operated as an independent consulting geologist on projects including precious and base metals, uranium, diamonds and phosphate, from reconnaissance level projects to deposit definition drill programs. He is a Qualified Person under Canadian regulations, as defined by National Instrument Policy 43.101.

James A. Currie, Director

Mr. Currie was appointed as one of our directors on April 12, 2004. Mr. Currie is the President of Luzon Minerals Ltd. and is a mining engineer with more than 24 years experience in the industry, having worked in operations and development in Canada, the United States and S.E. Asia. Early in his career he worked for such major companies as Placer-Dome, Noranda and Fording Coal. In recent years, he has worked as a senior executive for a number of junior exploration and development companies including: Queenstake Resources Ltd., Galactic Resources Ltd. Cornucopia Resources Ltd., and most recently, Ivanhoe Mines Ltd., where he was responsible for Ivanhoe s activities in Myanmar and was a member of the Board of Directors of Myanmar Ivanhoe Copper Company Ltd. Mr. Currie is also Vice-President of Behre Dolbear and Company Ltd., the Canadian arm of Behre Dolbear and Company Inc., an international minerals consultancy based out of Denver, Colorado. In his capacity with Behre Dolbear, Mr. Currie has acted as Project Manager and as a Qualified Person on a number of reports submitted to the TSE and TSX Venture exchanges.

Steven Chi, Director

Mr. Chi was appointed as a director of the Company on August 20, 2004. Mr. Chi is a professional mining engineer with a career as an executive of the international mining and construction giant, Washington Group International (formerly Morrison Knudsen Company). He has traveled and worked worldwide, including the Americas, Asia and Europe. Mr. Chi currently serves on the board of administrators for a large lignite mine and power plant complex in

Leipzig, Germany. Mr. Chi has extensive experience in all aspects of mining and development including gold and precious metals mining and previously served on the board of NASDAQ-listed MK Gold Company.

SIGNIFICANT EMPLOYEES OR CONSULTANTS

Jeffrey L. Wilson, Vice-President - Exploration

Mr. Wilson has been appointed as our Vice President - Exploration on May 25, 2004. Mr. Wilson has twenty-seven years of professional exploration experience in the United States, Mexico and Central America with emphasis on gold. He served as Director of Exploration for Echo Bay Exploration Inc. for eleven years, first in western U.S. and later in Mexico and Central America. He earlier served as Exploration Manager, Western U.S., with Tenneco Minerals Company, with most projects in Nevada. Mr. Wilson earned his MSc. in Geology from the University of Southern California.

We also have consulting relationships with other geologists and persons that are included in our projects and properties from time to time.

TERMS OF OFFICE

Our directors are elected to hold office until the next annual meeting of our shareholders and until their respective successors have been elected and qualified. Our executive officers are appointed by our board of directors to hold office until their successors are appointed.

AUDIT COMMITTEE

We have an audit committee of our board of directors comprised of Andrew Milligan, our chairman, Steven Chi and Paul Saxton, our president, chief executive officer and chief financial officer. Mr. Saxton is not independent of our management.

CODE OF ETHICS

We have presently not adopted a code of ethics due to the fact that we are in the early stage of our operations and have only recently acquired our mineral properties. We have received a draft code of ethics prepared by our legal counsel for our review and consideration. Our board of directors is currently reviewing this draft code of ethics and anticipates adopting a code of ethics during the current fiscal year.

FAMILY RELATIONSHIPS

There are no family relationships among our directors or officers.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

Our directors, executive officers and control persons have not been involved in any of the following events during the past five years:

1. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offences);

3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or

4. being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information concerning the number of our common shares owned beneficially as of February 6, 2006 by: (i) each person (including any group) known to us to own more than five percent (5%) of our common stock, (ii) each of our directors and by each of our executive officers, and (iii) our executive officers and directors as a group. Unless otherwise indicated, the shareholders listed possess sole voting and investment power with respect to the shares shown.

Title of Class	Name and Address of Beneficial Owner	Number of Shares of Common Stock	Percentage of Common Stock[(1)]
Directors and Officers			
Common Stock	Paul F. Saxton, Director, President, Chief Executive Officer and Chief Financial Officer	5,930,000[(2)]	14.0%
Common Stock	Andrew F.B. Milligan, Director	1,930,000[(3)]	4.6%
Common Stock	James Chapman, Director	900,000[(4)]	2.1%
Common Stock	James Currie, Director	950,000[(5)]	2.2%
Common Stock	Steven Chi, Director	750,000[(6)]	1.8%
Common Stock	Jeffrey Wilson, Vice President Exploration	1,180,000[(7)]	2.8%
Common Stock	**All Directors and Executive Officers as a Group (6 persons)**	**11,690,000[(8)]**	**26.8%**
5% Stockholders			
Common Stock	Joe Eberhard Dorfstrasse #15 CH 8903, Birmensdorf Switzerland	3,000,000 shares Direct	7.2%
Common Stock	Michael Baybak [(9)] Suite 1200 750 West Pender Street Vancouver, B.C.	2,500,000 shares Indirect	6.0%
Common Stock	Sprott Asset Management Inc.[(10)] Suite 2700, South Tower, Royal Bank Plaza, Toronto, Ontario M5J 2J1 Canada	3,400,000 shares	7.8%

(1) Under Rule 13d-3, a beneficial owner of a security includes any person who, directly or indirectly, through any

contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the power to vote, or to direct the voting of shares; and (ii) investment power, which includes the power to dispose or direct the disposition of shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of common stock actually outstanding on February 6, 2006. As of February 6, 2006, there were 41,865,000 shares issued and outstanding.

(2) Consists of 5,500,000 shares held by Mr. Saxton and 430,000 shares that can be acquired by Mr. Saxton upon exercise of options to purchase shares held by Mr. Saxton within 60 days of the date hereof.

(3) Consists of 1,500,000 shares held by Mr. Milligan and 430,000 shares that can be acquired by Mr. Milligan

upon exercise of options to purchase shares held by Mr. Milligan within 60 days of the date hereof.

(4) Consists of 700,000 shares held by Mr. Chapman and 200,000 shares that can be acquired by Mr. Chapman upon exercise of options to purchase shares held by Mr. Chapman within 60 days of the date hereof.

(5) Consists of 750,000 shares held by Mr. Currie indirectly through Anacortes Management Ltd. and 200,000 shares that can be acquired by Mr. Currie upon exercise of options to purchase shares held by Mr. Currie within 60 days of the date hereof. James Currie beneficially owns a 100% interest in Anacortes Management Ltd.

(6) Consists of 750,000 shares held by Mr. Chi.

(7) Consists of 750,000 shares held by Mr. Wilson directly and 430,000 shares that can be acquired by Mr. Wilson upon exercise of options to purchase shares held by Mr. Wilson within 60 days of the date hereof.

(8) Consists of 10,000,000 shares held by our directors and executive officers and 1,690,000 shares that can be acquired by our directors and executive officers upon exercise of options to purchase shares held by our directors and executive officers within 60 days of the date hereof.

(9) Windsor Capital Corporation owns directly 2,500,000 shares in the capital of the Company. Michael Baybak beneficially owns a 100% interest in Windsor Capital Corporation.

(10) Consists of 1,700,000 shares held by Sprott Asset Management Inc. and 1,700,000 shares issuable upon exercise of 1,700,000 share purchase warrants held by Sprott Asset Management Inc. which are exercisable within 60 days hereof.

Changes in Control

We are unaware of any contract, or other arrangement or provision of our Articles or by-laws, the operation of which may at a subsequent date result in a change of control of our company.

LEGAL MATTERS

Lang Michener, Barristers and Solicitors, our independent legal counsel, has provided an opinion on the validity of the shares of our common stock that are the subject of this prospectus.

EXPERTS

The financial statements included in this prospectus and registration statement have been audited by Amisano Hanson, Chartered Accountants, an independent registered public accounting firm, to the extent and for the periods set forth in their report appearing elsewhere herein and in the registration statement. These financial statements are included in reliance upon the authority of said firm as experts in auditing and accounting.

INTERESTS OF NAMED EXPERTS AND COUNSEL

No expert or counsel named in this prospectus as having prepared or certified any part of this prospectus or having given an opinion upon the validity of the securities being registered or upon other legal matters in connection with the registration or offering of the common stock was employed on a contingency basis, or had, or is to receive, in connection with the offering, a substantial interest, direct or indirect, in the registrant, nor was any such person connected with the registrant as a promoter, managing or principal underwriter, voting trustee, director, officer, or employee.

WHERE YOU CAN FIND MORE INFORMATION

We are a reporting company under the Securities Exchange Act of 1934 (the Exchange Act) and we file annual, quarterly and current reports, proxy statements and other information with the United States Securities and

Exchange Commission. You may read and copy any material that we file with the Securities and Exchange Commission at the public reference room of the Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the Commission at 1-800-SEC-0330 for further information on the operation of the public reference room. The Securities and Exchange Commission also maintains a web site at http://www.sec.gov that contains reports, proxy statements and information regarding issuers that file electronically with the Commission. This prospectus is part of a registration statement on Form SB-2 that we filed with the SEC. The registration statement contains more information than this prospectus regarding us and the securities offered, including certain exhibits. You can obtain a copy of the registration statement from the SEC at any address listed above or from the SEC's Internet site.

DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Our directors and officers are indemnified as provided by the Nevada Revised Statutes, our Articles of Incorporation and our Bylaws.

We have been advised that, in the opinion of the Securities and Exchange Commission, indemnification for liabilities arising under the Securities Act is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities is asserted by one of our directors, officers, or controlling persons in connection with the securities being registered, we will, unless in the opinion of our legal counsel the matter has been settled by controlling precedent, submit the question of whether such indemnification is against public policy to a court of appropriate jurisdiction. We will then be governed by the court's decision.

ORGANIZATION WITHIN LAST FIVE YEARS

Incorporation

We were incorporated under the laws of the State of Nevada as Braden Technologies, Inc. on February 17, 1999. We have been engaged in the acquisition and exploration of mineral properties since our inception.

Share Split

We completed a four-for-one split of our common stock effective March 10, 2004. As a result of this stock-split, our authorized capital increased from 25,000,000 shares to 100,000,000 shares of common stock. Concurrent with our stock split, the number of our issued and outstanding shares increased from 2,850,000 shares to 11,400,000 shares.

Acquisition of Lincoln Gold

We completed the acquisition of Lincoln Gold Corp., (Lincoln Gold) a Nevada corporation effective March 26, 2004. This acquisition was completed by our acquisition of all of the issued and outstanding shares of Lincoln Gold from the former shareholders of Lincoln Gold. On closing of the acquisition, we issued 24,000,000 shares of our common stock to the shareholders of Lincoln Gold. As a result of this issuance, the number of our issued and outstanding shares increased from 11,400,000 shares to 35,400,000 shares, of which approximately 67.80% was owned by the former shareholders of Lincoln Gold upon the completion of the acquisition.

Merger with Lincoln Gold

Subsequent to our acquisition of Lincoln Gold, we merged with Lincoln Gold in a parent/ subsidiary merger in April 2004 under Chapter 92A of the Nevada Revised Statutes. We completed the change of our name from Braden Technologies Inc. to Lincoln Gold Corporation as part of this merger process.

DESCRIPTION OF BUSINESS

FORWARD-LOOKING STATEMENTS

The information in this prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve risks and uncertainties, including statements regarding our capital needs, business plans and expectations. Such forward-looking statements involve risks and uncertainties regarding the market price of gold, availability of funds, government regulations, common share prices, operating costs, capital costs, outcomes of ore reserve development and other factors. Forward-looking statements are made, without limitation, in relation to operating plans, property exploration and development, availability of funds, environmental reclamation, operating costs and permit acquisition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may , will , should , expect , plan , intend , anticipate , believe , estimate , predict , the negative of such terms or other comparable terminology. Actual events or results may differ materially. In evaluating these statements, you should consider various factors, including the risks outlined below, and, from time to time, in other reports we file with the SEC. These factors may cause our actual results to differ materially from any forward-looking statement. We disclaim any obligation to publicly update these statements, or disclose any difference between our actual results and those reflected in these statements. The information constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

OVERVIEW

We are engaged in the acquisition and exploration of mineral properties in the State of Nevada. Our plan of operations for the next twelve months is to conduct exploration of our mineral properties in the State of Nevada.

We are an exploration stage company. All of our projects are at the exploration stage and there is no assurance that any of our mining claims contain a commercially viable ore body. We plan to undertake further exploration of our properties. We anticipate that we will require additional financing in order to pursue full exploration of these claims. We do not have sufficient financing to undertake full exploration of our mineral claims at present and there is no assurance that we will be able to obtain the necessary financing.

There is no assurance that a commercially viable mineral deposit exists on any of our mineral properties. Further exploration beyond the scope of our planned exploration activities will be required before a final evaluation as to the economic and legal feasibility of mining of any of our properties is determined. There is no assurance that further exploration will result in a final evaluation that a commercially viable mineral deposit exists on any of our mineral properties.

MINERAL PROPERTIES AND PLAN OF OPERATIONS

We hold interests in five groups of mineral properties, with four properties located in Nevada and one property located in Mexico, as described below:

Name of Property	Location
Buffalo Valley Property	Humboldt, Lander & Pershing Counties, Nevada
Hannah Property	Churchill County, Nevada
JDS Property	Eureka County, Nevada
Jenny Hill Property	Mineral & NYE Counties, Nevada
La Bufa	Mexico

Our plan of operations is to carry out exploration of our mineral properties. Our specific exploration plan for each of our mineral properties, together with information regarding the location and access, history of operations, present condition and geology of each of our properties, is presented in the section of this prospectus entitled Description of Properties. All of our exploration programs are preliminary in nature in that their completion will not result in a determination that any of our properties contains commercially exploitable quantities of mineralization.

Our exploration programs will be directed by our management and will be supervised by Mr. Jeff Wilson, our vice-president of exploration. We will engage contractors to carry out our exploration programs under Mr. Wilson s supervision. Contractors that we plan to engage include project geologists, geochemical sampling crews and drilling companies, each according the specific exploration program on each property. Our budgets for our exploration programs are set forth in the section of this prospectus entitled Description of Properties. We plan to solicit bids from drilling companies prior to selecting any drilling company to complete a drilling program. We anticipate paying normal industry rates for reverse-circulation drilling.

We plan to complete our exploration programs within the periods specified in the section of this prospectus entitled Description of Properties. Key factors that could delay completion of our exploration programs beyond the projected timeframes include the following.

(a) Poor availability of drill rigs due to high demand in Nevada;
(b) Delays caused by permitting and bonding with the US Bureau of Land Management with respect to drilling programs;
(c) Our inability to identify a joint venture partner and conclude a joint venture agreement where we anticipate a joint venture will be required due to the high costs of a drilling program;
(d) Adverse weather, including heavy snow; and
(e) Our inability to obtain sufficient funding.

Key factors that could cause our exploration costs to be greater than anticipated include the following:

(a) adverse drilling conditions, including caving ground, lost circulation, the presence of artesian water, stuck drill steel and adverse weather precluding drill site access;
(b) increased costs for contract geologists and geochemical sampling crews due to increased in demand in Nevada; and
(c) increased drill rig and crew rental costs due to high demand in Nevada.

Our board of directors will make determinations as whether to proceed with the additional exploration of our Nevada mineral properties based on the results of the preliminary exploration that we undertake. In completing these determinations, we will make an assessment as to whether the results of the preliminary exploration are sufficiently positive to enable us to achieve the financing that would be necessary for us to proceed with more advanced exploration.

We may consider entering into joint venture arrangements on several of our mineral properties, as noted in the section of this prospectus entitled Description of Properties , to provide the required funding to pursue drilling and advanced exploration of our mineral claims. If we entered into a joint venture arrangement, we would likely have to assign a percentage of our interest in our mineral claims to the joint venture partner. The assignment of the interest would be conditional upon contribution by the joint venture partner of capital to enable the advanced exploration on the mineral properties to proceed. We are presently in the process of attempting to locate a joint venture partner for our mineral claims, but we have not concluded any joint venture agreements to date. There is no assurance that any third party would enter into a joint venture agreement with us in order to fund exploration of our mineral claims.

We plan to continue exploration of our mineral claims for so long as the results of the geological exploration that we complete indicate the further exploration of our mineral claims is recommended and we are able to obtain the additional financing necessary to enable us to continue exploration. We have renewed all of our Nevada mineral claims by making the required filings with the Bureau of Land Management by October 1, 2005. We further plan to renew all of our mineral claims by making the required filings with the Bureau of Land Management by October 1, 2006 except where we determine to abandon exploration of any mineral claim prior to October 1, 2006. All exploration activities on our mineral claims are presently preliminary exploration activities. Advanced exploration activities, including the completion of comprehensive drilling programs, will be necessary before we are able to complete any feasibility studies on any of our mineral properties. If our exploration activities result in an indication that our mineral claims contain potentially commercial exploitable quantities of gold, then we would attempt to complete feasibility studies on our property to assess whether commercial exploitation of the property would be commercially feasible. There is no assurance that commercial exploitation of our mineral claims would be commercially feasible even if our initial exploration programs show evidence of gold mineralization.

If we determine not to proceed with further exploration of any of our mineral claims due to results from geological exploration that indicate that further exploration is not recommended or due to our lack of financing, we will attempt to acquire additional interests in new mineral resource properties. Due to our limited finances, there is no assurance that we would be able to acquire an interest in a new property that merits further exploration. If we were to acquire an interest in a new property, then our plan would be to conduct resource exploration of the new property. In any event, we anticipate that our acquisition of a new property and any exploration activities that we would undertake will be subject to our achieving additional financing, of which there is no assurance.

PRIOR EXPLORATION ACTIVITIES

Basin Mineral Claims

We entered into a mineral property option agreement dated February 18, 1999 with Miranda Gold Corp. ("Miranda") to acquire a 50% interest in certain mineral claims situated in the State of Nevada. During fiscal 2003, we agreed to terminate the option agreement with Miranda and entered into negotiations directly with the owner of the Miranda property in order to secure directly an option on several of the claims previously held by the Company as well as acquiring several new claims. We entered into an option agreement dated February 12, 2004 with J. Rice Development Corp. (Rice Development) whereby we acquired an option to acquire an undivided 100% right, title and interest in certain mineral claims in Nevada known as the Basin Claims. The option agreement requires that we make option payments to Rice Development over four years totaling $94,200 and drill a minimum of six holes on the property by August 15, 2005.

We have determined not to proceed with the drill program on the Basin Claims, as required to be completed by August 15, 2005, based on our determination to prioritize exploration of our other Nevada mineral properties. Accordingly, we anticipate that our interest in the Basin Claims will lapse effective August 15, 2005. We have not provided further disclosure regarding the Basin Claims as our interest in the Basin Claims is not significant to our business or our plan of operations.

Hercules Prospect

We entered into a joint venture agreement for the Hercules Prospect (the Hercules Joint Venture Agreement) dated April 18, 2004 with Miranda U.S.A. Inc. and Miranda Gold Corp. Under the Hercules Joint Venture Agreement, we obtained the exclusive right to acquire a 60% interest in the Hercules Prospect subject to certain cash payments and exploration expenditures to be made as follows:

a) Upon signing of the agreement, payment in the amount of $10,000;
b) By October 8, 2004 payment in the amount of $14,000 and expenditures in the amount of $75,000, or 3600 feet of reverse circulation drilling;
c) By October 8, 2005 payment in the amount of $16,500 and expenditures in the amount of $150,000;
d) By October 8, 2006 payment in the amount of $26,500 and expenditures in the amount of $150,000;
e) By October 8, 2007 payment in the amount of $39,000; and expenditures in the amount of $200,000 until commencement of commercial production; and
f) By October 8, 2008 and every year thereafter $3,000.

We determined to proceed with a drilling program on the Hercules Prospect in the summer of 2004. We completed the drilling of three holes with an aggregate total of 2800 feet drilled. Adverse drilling conditions precluded the drilling of a fourth hole. Prospective portions of each drill hole were sampled and assayed at an ISO 9002 and ISO 9001:2000 certified laboratory in Reno, Nevada. We reviewed the results of the drill program in October 2004 and determined that the results did not warrant further exploration work based on our criteria. As a result, we terminated the joint venture agreement between Miranda U.S.A. Inc. and Miranda Gold Corp. in October 2004.

We completed reclamation activities of the Hercules property that we completed drilling activities on during 2004. All drill pads and drill roads constructed by us in 2004 were re-contoured to their original topography as per U.S. Bureau of Land Management (the BLM) requirements. Seeding with approved seed mix was also completed. It will likely require two growing seasons with good re-vegetation results before the entire Reclamation Bond that we posted with the BLM as security for our reclamation obligations will be refunded to us by the BLM.

Lincoln Flat Property

We previously held option to acquire a 100% interest in the claims comprising the Lincoln Flat project, subject to a net smelter royalty, pursuant an option agreement dated December 24, 2003 between us and Larry and Susan McIntosh of Gardnerville, Nevada, as optionors. The Lincoln Flat property is comprised of twenty-seven (27) unpatented lode claims covering approximately 540 acres (0.84 sq miles) in Lyon and Douglas Counties Nevada. We had the option to acquire a 100% interest in the Lincoln Flat property by making aggregate payments to the optionors in the amount of $210,000.

We commenced field exploration work on the Lincoln Flat property during the first quarter of 2005 with the objective of further exploring a gold-hematite breccia target and a fracture-controlled gold porphyry target. This field work included a soil sampling and rock-chip sampling program.

We submitted a Notice of Intent to Operate and Reclamation Bond to the U.S. Bureau of Land Management with the objective of drill testing the two target areas in June 2005. Permitting was approved by the U.S. Bureau of Reclamation. We drilled nine reverse-circulation drill holes during the summer of 2005 for a total footage of 5,145 ft. Drilling was conducted to test various gold soil anomalies and geologic targets. While scattered intercepts of gold were encountered, the results did not meet our expectations. As a result, we terminated the option agreement and the property has been returned to the owner. We have no further liabilities or obligations with respect to either the Lincoln Flat Project or the option agreement other than to complete approximately $15,000 of reclamation work relating to the drilling that we completed. This reclamation work is required under our drilling permit.

New Opportunities

During the first quarter, we reviewed new prospective gold exploration opportunities in Nevada, Utah, Arizona, California, and Mexico. We did not enter into any agreements to acquire any interests in the properties we reviewed. We plan to continue to review new opportunities on a case-by-case basis.

COMPETITION

We are a junior mineral resource exploration company. We compete with other mineral resource exploration companies for financing and for the acquisition of new mineral properties. Many of the mineral resource exploration companies with whom we compete have greater financial and technical resources than those available to us. Accordingly, these competitors may be able to spend greater amounts on acquisitions of mineral properties of merit, on exploration of their mineral properties and on development of their mineral properties. In addition, they may be able to afford more geological expertise in the targeting and exploration of mineral properties. This competition could result in competitors having mineral properties of greater quality and interest to prospective investors who may finance additional exploration and development. This competition could adversely impact on our ability to achieve the financing necessary for us to conduct further exploration of our mineral properties.

We will also compete with other junior mineral exploration companies for financing from a limited number of investors that are prepared to make investments in junior mineral exploration companies. The presence of competing junior mineral exploration companies may impact on our ability to raise additional capital in order to fund our exploration programs if investors are of the view that investments in competitors are more attractive based on the merit of the mineral properties under investigation and the price of the investment offered to investors.

We will also compete with other junior and senior mineral companies for available resources, including, but not limited to, professional geologists, camp staff, helicopter or float planes, mineral exploration supplies and drill rigs.

GOVERNMENT REGULATIONS

We will be required to obtain work permits from the United States Bureau of Land Management (BLM) for any exploration work on our Nevada mineral properties that results in a physical disturbance to the land. We will not be required to obtain a work permit for any phase of our proposed mineral exploration programs that does not involve any physical disturbance to the mineral claims, such as data compilation, field work and geochemical surveys. We will be required to obtain work permits for all drilling operations that we plan to conduct on our mineral properties. Prior to commencing drilling operations on any of our properties, we must submit a Notice of Intent to Operate to the BLM and post a bond as security for our obligation to complete reclamation activities. We will be required by the Bureau of Land Management to undertake remediation work on any work that results in physical disturbance to the mineral claims, including drilling programs. We estimate that the cost of remediation work for our drilling programs will be approximately $25,000 for each drilling program. The estimated amount of remediation work is included within our budgets for our exploration programs. The actual amount of reclamation cost will vary according to the degree of physical disturbance.

We have made all current Bureau of Land Management filings for our Nevada properties. All claims are in good standing until September 1, 2006. Applicable county fees have also been paid.

The La Bufa property is an exploration concession granted by a branch of the Mexican government and is for a three year terms. Thereafter, the La Bufa property may be converted into an exploitation concession that would have a term of fifty years. The La Bufa property is presently beginning the second year of the tem of its exploration concession. An annual fee of $1.25 pesos per hectare is due to the Mexican federal government. The net area of the La Bufa exploration concession is 1040.75 hectares, thereby requiring an annual payment of $1300.94 pesos.

RESEARCH AND DEVELOPMENT EXPENDITURES

We have not spent any amounts on research and development activities since our inception. Our planned expenditures on our exploration programs are summarized under the section of this prospectus entitled Description of Properties.

EMPLOYEES

We have two employees, namely Paul Saxton, our chief executive officer and chief financial officer, and Jeffrey Wilson, our vice-president of exploration. We carry out our exploration programs through contracts with third parties, including geologists, engineers, drilling companies.

SUBSIDIARIES

We do not have any subsidiaries.

DESCRIPTION OF PROPERTIES

We maintain our head office located at Suite 350 885 Dunsmuir Street, Vancouver, B.C., V6C 1N5. These premises are located at the business premises of our president, Mr. Paul Saxton. We pay a proportionate share of rent and administrative expenses associated with these premises.

Our operations office is located at 325 Tahoe Drive, Carson City, Nevada, 89703. Our operations office is located in the home of Mr. Jeff Wilson, our vice-president of exploration. These premises are provided by Mr. Wilson at no cost to us.

Our current five groups of mineral properties located in the State of Nevada are described below:

BUFFALO VALLEY PROPERTY

1. Location and Access

The Buffalo Valley property is located in north-central Nevada, approximately 25 miles west of the small town of Battle Mountain, Nevada in Humboldt, Lander, and Pershing Counties. Access is good via US Interstate 80 to the north and numerous dirt and gravel ranch and mine roads. A map showing the location of and access to the Buffalo Valley property is presented below:

2. Ownership Interest

We have acquired a twenty year lease of the two hundred sixty-eight (268) unpatented lode claims that comprise the Buffalo Valley Property. We acquired our lease pursuant to a mining lease agreement dated July 9, 2004 between us and Nevada North Resources (U.S.A.), Inc., the underlying owner of the property (Nevada North). We paid to $10,000 to Nevada North upon execution of the lease agreement. We are obligated to make the following advance minimum royalty payments to Nevada North in order to maintain our leasehold interest in the Buffalo Valley Property:

Date of Payment	Amount of Advance Minimum Royalty
July 9, 2005 (payment made)	$20,000
July 9, 2006	$20,000
July 9, 2007	$40,000
July 9, 2008	$40,000
July 9, 2009	$50,000
July 9, 2010	$50,000
July 9, 2011	$60,000
July 9, 2012	$60,000
July 9, 2013	$70,000
July 9, 2014	$70,000
Each Subsequent Anniversary	$80,000, subject to adjustment for inflation increases with the beginning index being the index published for April 2015

We have committed to a two year option on the claims made up of the initial payment and the first year anniversary payment. Thereafter, Nevada North will be entitled to terminate if we do not make any subsequent payment. We will not be responsible or liable for advance royalty payments due subsequent to termination or expiration of the lease agreement.

In addition, we are obligated to pay to Nevada North a net smelter return (NSR) equal to a percentage of Net Revenue as defined and calculated under the lease agreement as follows:

Price of Gold	Amount of NSR, as a percentage of Net Revenue
$375 or less per ounce	3.0%
More than $375 but less than $474 per ounce	4.0%
$474 or more per ounce	5.0%

The initial term of the lease is twenty years from July 9, 2004, subject to our making the required payments to Nevada North. The term of the lease will remain in effect thereafter for so long as mining, processing, construction

of mine facilities, development or ore reserves or exploration activities continue on the Buffalo Valley Property or adjacent properties that we own or control.

The lease agreement entitles us to carry out mineral exploration of the Buffalo Valley Property during the term of the lease. We are obligated to pay for all Bureau of Land Management and county maintenance fees required in order to maintain the claims comprising the Buffalo Valley Property during the term of the lease. We do not have any minimum work or exploration requirements under the lease.

We completed the $20,000 payment due pursuant to our lease agreement for the Buffalo Valley property to Nevada North Resources (U.S.A.), Inc. prior to the first anniversary, as required by the agreement. We have also paid all current BLM and County fees in the amount of $35,866.50 that were required by October 1, 2006. We are not obligated to complete any exploration expenditures in order to maintain our lease interest in the Buffalo Valley property.

3. History of Operations

The Buffalo Valley Property and adjacent areas have been explored over the past 10 years by Uranerz, Cameco, Nevada North, Homestake, Anglo Gold, and Newcrest. Geophysical work and some drilling were conducted by Uranerz/Cameco and Anglo Gold and perhaps others. Under Homestake s control, exploration of the property was advanced by assimilating the large data base and defining three shear zone targets along the Buffalo Valley axial fault. The targets were never drilled because Barrick bought out Homestake and the property was returned to Nevada North.

The most comprehensive geological report in our possession is an exploration drilling proposal prepared for Homestake which recommended the drilling of 10 exploration holes with attending budget. The drilling program was approved by Homestake s senior management but the holes were never drilled due to the acquisition of Homestake Mining by Barrick.

We also have obtained several CD disks containing geological and geophysical data, including important information from Anglo Gold. We are in the process of organizing and evaluating this information.

4. Present Condition of the Property and Proposed Exploration Program

The Buffalo Valley Property is in the early stage of exploration and presently contains no known gold or silver resources. There is no plant or equipment on the Buffalo Valley Property. The property consists of barren land with no improvements.

During the first half of 2005, we completed exploration work on the Buffalo Valley property that focused largely on acquisition and compilation of past geophysical and drilling data. We subsequently granted an option to Agnico-Eagle (USA) Ltd. in the summer of 2005 whereby Agnico-Eagle will have the right to earn an interest in the Buffalo Valley property in consideration for carrying out exploration on the Buffalo Valley property. As a result of the granting of the option to Agnico-Eagle, we do not have any plans to complete our own exploration of the Buffalo Valley property.

5. Geology

The Buffalo Valley Property lies within the northern portion of the Battle Mountain-Eureka Gold Trend in the broad, north-northeast-trending Buffalo Valley. Although much of the bedrock in Buffalo Valley is concealed by alluvium, past exploration drilling has revealed favourable stratigraphy for Carlin-type, Cove-type and skarn deposits containing gold and silver mineralization beneath valley fill. Potential host rocks above the Golconda Thrust include the Triassic Star Peak Group (Cove host) and the Carboniferous Havallah Sequence (partial Lone Tree host; Converse host). Host rocks beneath the Golconda Thrust are the Penn-Permian Antler Sequence (Lone Tree & Marigold hosts). District ore controls appear to be north-trending faults, favourable stratigraphy, and +/- 41-39 million year old intrusive rocks.

Geophysical interpretations indicate that a swarm of north-trending faults are present within the claims controlled by us. Gossanous alteration and elevated pathfinder elements have been encountered on the property in past drilling.

HANNAH PROPERTY, CHURCHILL COUNTY, NEVADA

1. Location and Access

The Hannah Property is located approximately 55 miles east of Reno, Nevada in the southern portion of the Trinity Range north of Interstate 80 in Churchill County. Access is east from Reno via Interstate 80 and then north on gravel and dirt roads from Hot Springs Flat to the Property. A map showing the location of and access to the Hannah property is presented below:

2. Ownership Interest

The Hannah property is comprised of twenty-three (23) unpatented lode claims covering approximately 460 acres (0.72 sq. miles) in Churchill County, Nevada.

We have an option to acquire a 100% interest in the claims comprising the Hannah project, subject to a net smelter royalty, pursuant to an option agreement dated December 24, 2003 between us and Larry and Susan McIntosh of Gardnerville, Nevada, as optionors. We have the option to acquire a 100% interest in the Hannah property by making aggregate payments to the optionors in the amount of $210,000. We may exercise this option at any time prior to the ten year anniversary of the effective date of the agreement, being December 24, 2013. We are obligated to make the following option payments in order to maintain our option agreement in good standing:

Date of Payment	Amount of Option Payment
December 24, 2003	$5,000 (paid)

Date of Payment	Amount of Option Payment
January 10, 2005	$5,000 (paid)
January 10, 2006	$10,000
January 10, 2007	$15,000
January 10, 2008	$25,000
January 10, 2009	$25,000
January 10, 2010	$25,000
January 10, 2011	$25,000
January 10, 2012	$25,000
January 10, 2013	$50,000

We will be deemed to have exercised the option upon completion of the above option payments at which time we will be entitled to a 100% interest in the Hannah property, subject to the payment of a net smelter royalty to the optionors. The net smelter royalty will be calculated as 3% of net smelter returns, as defined in the option agreement, if the price of gold is less than or equal to $400 per ounce, and 4% of net smelter returns if the price of gold is greater than $400 per ounce. If we exercise the option, we will have the right to reduce the net smelter royalty by 1%, up to a maximum of 2%, upon the payment of $500,000 to the optionors for each 1% of reduction as set out in the table below:

Gold Price (US$ per ounce)	Net Smelter Royalty payable on execution of the Agreement	Net Smelter Royalty payable after first payment of $500,000	Net Smelter Royalty payable after Second payment of $500,000
Less than or equal to $400	3%	2%	1%
Greater than $400	4%	3%	2%

If we complete a positive feasibility study for the development or mining of mineral products on the Hannah property and obtains all government approvals, consents, licenses and permits to construct, develop or operate a mine on the Hannah property prior to January 10, 2013, we will be obligated purchase the Hannah property prior to the commencement of mining of mineral products. In this event, the purchase price for the Hannah property shall be the sum of all unpaid option payments due to the optionors through January 10, 2013.

We have the exclusive right to conduct exploration on the Hannah property during the term of the option agreement, provided that we make the required option payments. We are obligated to make all federal and county claim maintenance fees in a timely manner to keep the claims in good standing during the term of the option agreement. In the event that we do not make any required option payment, then the optionors will be entitled to terminate the agreement and we will lose our interest in the property. However, we will not have any obligation to make further option payments in the event of termination due our inability to make any required option payment. We may surrender our interest in the property and terminate the agreement at our election upon written notice to the optionors. In this event, the optionors will retain all option payments paid pursuant to the agreement.

We have paid $3,074.50 for BLM and County annual claim maintenance fees that were required to be paid by October 1, 2005. We are not obligated to complete any minimum exploration expenditures or other work commitment in order to maintain our option on the Hannah property.

3. History of Operations

Various old shafts, adits, and numerous small prospects are on the Hannah Property from prospecting in the early 1900 s. Cominco was active in the general area in the 1960 s and Chevron drilled three scattered holes on the claim block in the 1980 s. None of Chevron s holes tested the Hannah gold target. Four backhoe trenches were dug by Cordex in the late 1990 s, however no follow-up work was conducted. NDT Ventures held the property in 2002 but conducted no significant work. A total of 50 soil samples and 329 rock-chip samples have been collected from the property and assayed.

4. Present Condition of the Property and Current State of Exploration

The Hannah Property is in the early stage of exploration and presently contains no known gold or silver resources. Our current state of exploration consists of geologic mapping and sampling.

There is no plant or equipment on the Hannah Property other than some scattered remnants of past prospecting. The property consists of barren land with no improvements with the exception of dirt roads.

We have no formal geologic reports on the Hannah Property. However, we do have all past soil and rock-chip sample results plus preliminary maps from geologic mapping.

We commenced field exploration work on our Hannah property during the first quarter of 2005. The field work included obtaining soil samples as part of a soil sampling program. Results from 132 new soil samples were combined with results from 50 previous samples to define a conspicuous soil gold anomaly approximately 3000 feet in length and locally over 500 feet in width. We believed that this identified anomaly warrants more advanced exploration. As a result, we submitted a Notice of Intent to Operate and a Reclamation Bond for drilling 10 exploration holes to the U.S. Bureau of Land Management (the BLM). The BLM approved our submission and we commenced track-mounted, reverse-circulation drilling on identified gold geochemical targets in May. This drilling program was completed in early June. Eleven (11) holes were completed for a total footage of 4,815 ft. Two holes, H-11 and H-1, encountered encouraging gold-silver mineralization in the western portion of the target area. Although strong alteration was encountered elsewhere to the east, the remaining holes were barren.

We have determined that follow up drilling is warranted on the Hannah Property based on the results of the initial eleven hole drilling program that we completed on the Hannah Property, as described above. Our plan of exploration for the Hannah Property is as follows:

Description of Phase of Exploration	Description of Exploration Work Required
Permitting	Permitting with Bureau of Land Management for further drill program
Phase Two Drilling	Completion of five reverse circulation drill holes at a depth of approximately 500 feet per hold, for total drilling of approximately 2,500 feet
Data Evaluation	Evaluate cross-sections of drill core and re-evaluate potential of mineral claims
Reclamation	Reclamation of drill sites

The anticipated timetable and estimated budget for completion for each stage of exploration is as follows:

Stage of Exploration	Anticipated Timetable for Completion	Estimated Cost of Completion
Permitting	2nd Qtr of 2006	$8,000
Phase Two Drilling	2nd - 3rd Qtr of 2006	$60,000

Stage of Exploration	Anticipated Timetable for Completion	Estimated Cost of Completion
Data Evaluation	3rd Qtr of 2006	$5,000
Reclamation	4th Qtr of 2006	$10,000
Total		$83,000

5. Geology

The Hannah Property lies in exotic metamorphic terrain comprised of Permo-Triassic schist and granitic intrusive rocks and Tertiary lakebeds and volcanic rocks (no formation names). A highly oxidized, gold-bearing shear zone is evident on the property. Anomalous gold in soils and rock chips is present along the surface expression of the shear zone. Potential exists for an oxidized gold deposit with gold-silver mineralization present at depth. Blind gold potential may exist where the mineralized system is covered by surface gravels. The zone of prospective gold mineralization at Hannah has never been drilled prior to initial phase one drilling program.

JDS PROPERTY, EUREKA COUNTY, NEVADA

1. Location and Access

The JDS property is located in central Nevada, approximately 40 miles northwest of the small town of Eureka in Eureka County. The property is in Denay Valley adjacent to the northern end of the Simpson Park Mountains. Access is fair to good during good weather via the Tonkin Road (dirt/gravel) that traverses through the property. A map showing the location of and access to the JDS property is presented below:

2. Ownership Interest

We are the owner of the seventy-seven (77) unpatented lode claims comprising the JDS project which covers approximately 1,540 acres (2.04 sq miles). We staked and recorded the mineral claims. These mineral claims are registered in our name and are not subject to underlying lease payments or royalties. The JDS property is subject only to annual claim maintenance fees payable to the BLM and Eureka County. We must pay $12,362.50 in BLM and Eureka County annual claim maintenance fees by October 1, 2005 in order to maintain our interest in these properties.

3. History of Operations

There have been no previous operations of any type on the property.

4. Present Condition of the Property and Current State of Exploration

No significant exploration has been conducted on the JDS Property. The property is in early stage exploration and presently contains no known gold resources.

There is no plant or equipment on the JDS Property. The property consists of barren land with no improvements.

We have one geologic report on the JDS Property that was written by Kenneth D. Cunningham, Wyoming Professional Geologist PG-1636, and dated February 9, 2004. The report reviews the potential for Carlin-type gold deposits on the JDS Property.

During the first quarter of 2005, we interpreted newly acquired geophysical data that corroborated the presence of a possible large intrusive body or dike swarm along the north-western perimeter of the claim block. We believe that this is a favorable geologic environment for gold mineralization.

We completed a mercury soil gas survey during the third quarter of 2005. Based on the results of this geological survey, we plan to complete a drilling program on the JDS Property.

Our plan of exploration for the JDS Property is as follows:

Description of Phase of Exploration	Description of Exploration Work Required
Permitting	Permitting with Bureau of Land Management for initial drill program
Phase One Drilling	Completion of three reverse circulation drill holes for total drilling of approximately 3,600 feet
Data Evaluation	Evaluate cross-sections of drill core and re-evaluate potential of mineral claims
Reclamation	Reclamation of drill sites

The anticipated timetable and estimated budget for completion if each stage of exploration are as follows:

Stage of Exploration	Anticipated Timetable for Completion	Estimated Cost of Completion
Permitting	1st Qtr of 2006	$9,000
Phase One Drilling	2nd Qtr of 2006	$90,000

Data Evaluation	3rd Qtr of 2006	$10,000
Reclamation	4th Qtr of 2006	$12,000

Stage of Exploration	Anticipated Timetable for Completion	Estimated Cost of Completion
Total		$121,000

We plan to seek a joint venture partner to help finance further exploration of the property, including the contemplated drilling program described above. There is no assurance that we will be able to locate a joint venture partner to fund the contemplated drilling program on the JDS property. If we are unable to enter into any joint venture arrangement, then we will proceed with the drilling program provided we have sufficient funding.

5. Geology

The JDS Property lies within the Cortez Trend in the southern portion of the Battle Mountain-Eureka Mineral Belt. Although covered by valley fill, the geology of the JDS Property is believed to be an extension of favourable lower plate rocks of the Roberts Mountains Thrust that are known to host large Carlin-type gold deposits. Potential Devonian host rocks are exposed in the nearby Simpson Park Mountains and are believed concealed under shallow cover at JDS. Similar Devonian strata host very large gold deposits at Pipeline and Cortez to the northwest of the JDS Property. Available gravity data at JDS suggest shallow depth to bedrock and north-trending faults that converge in the northwestern portion of the claim block. The combination of favourable lower plate bedrock and converging faults indicate exploration potential for Carlin-type gold deposit(s).

JENNY HILL PROPERTY, MINERAL & NYE COUNTIES, NEVADA

1. Location and Access

The Jenny Hill Property is located in west-central Nevada approximately 16 miles due west of the small town of Gabbs in the Black Hills portion of the southern Monte Cristo Mountains. The claims are in Mineral and Nye Counties. Access to the property is via paved State Highway 361 south of Gabbs to the Rawhide Road (dirt) that extends westerly to the vicinity of the southern tip of the Black Hills. A map showing the location of and access to the Jenny Hill property is presented below:

2. Ownership Interest

The Jenny Hill project is comprised of ninety-seven (97) unpatented lode claims covering approximately 1,940 acres (3.03 sq miles) in Mineral and Nye Counties, Nevada. These mineral claims are held by us subject a lease with option to purchase agreement dated September 15, 2004 between us and Larry and Susan McIntosh of Gardnerville, Nevada. The Agreement is a binding letter agreement that governs pending the execution of a definitive agreement. We are presently negotiating a definitive mining lease with option to purchase agreement with the owners, as contemplated in the letter agreement.

We have the option to acquire a 100% interest in the Jenny Hill project, subject to a net smelter royalty, by making aggregate payments to the owners in the amount of $1,500,000. We may exercise this option at any time prior to the seven year anniversary of the effective date of the agreement, being September 28, 2011. We are obligated to make the following required advance royalty payments, each of which may be credited towards the exercise price of the option, pending the exercise of option as lease payments:

Date of Payment	Amount of Advance Royalty Payment
September 28, 2004	$7,000 (paid)
September 28, 2004	$13,000 (paid)
September 28, 2005	$25,000 (paid)
September 28, 2006	$30,000
September 28, 2007	$60,000
September 28, 2008	$70,000
September 28, 2009	$80,000
September 28, 2010	$90,000
September 28, 2011	$1,125,000

We are obligated to complete exploration work on the property in the minimum amount of $50,000 by September 28, 2005 and $100,000 in each successive year of the term of the agreement. We have completed the initial $50,000 of exploration work that was required to be completed by September 28, 2005. We are also obligated to make all federal and county claim maintenance fees in a timely manner to keep the claims in good standing.

We have the exclusive right to conduct exploration on the Jenny Hill property, provided that we make the required advance royalty payments and complete the required exploration expenditures. In the event that we do not make the required advance royalty payments or complete the required exploration expenditures, then the owners will be entitled to terminate the agreement and we will lose our interest in the property. However, we will not have any obligation to make further advance royalty payments or payments in lieu of exploration expenditures in the event of termination due our inability to make the required advance royalty payments or complete the required exploration expenditures. We may surrender our interest in the property and terminate the agreement at our election upon written notice to the owners. In this event, the owners will retain all payments and royalties paid pursuant to the agreement.

In the event that mineral production is commenced on the property, we will be obligated to pay to the owners a 2% net smelter return royalty. The definition of net smelter returns is to be agreed upon in the definitive agreement. We have the right of first refusal to purchase any interest in the property should the owners determine to sell any interest in the property. The owners have also granted to us an area of interest of approximately 1 mile surrounding the Jenny Hill claims. Under this right, any additional mineral claims acquired by the owners that are contiguous or within one mile of the Jenny Hill claims will be subject to our lease and option to purchase agreement.

We are presently proceeding with the preparation of a final definitive agreement between ourselves and the owners which will supersede the September 28, 2005 letter agreement. We have agreed to pay 50% of attorney fees for preparation of this final agreement. We anticipate that the agreement will be completed during the second quarter of 2005.

We completed the payment of $12,983 for BLM and County annual claim maintenance fees that were required to be paid by October 1, 2005. In addition, we must pay $25,000 to the owners and complete at least $50,000 in exploration work on the Property by September 28, 2005.

3. History of Operations

There are abundant old gold workings and prospect pits on the Jenny Hill property and remnants of a small mill in the Black Hills dating back to the 1880 s. Minor gold production also came from the Black Hills by local prospectors in the 1960 s. Comaplex Minerals and NDT Ventures were independently active on the southern portion of the claim block in 2000-2004. To date, 303 soil samples and 377 rock-chip samples have been collected and analyzed yielding conspicuous gold. Comaplex Minerals completed 39.14 line miles of ground magnetometer survey (contractor Zonge Geosciences, Inc.) on the southern portion of the claim block. We acquired our interest in the Jenny Hill Property in October 2004.

4. Present Condition of the Property and Current State of Exploration

The Jenny Hill Property is in the early stage of exploration and presently contains no known gold or silver resources. Our current state of exploration consists of geologic mapping and sampling.

There is no plant or equipment on the Jenny Hill Property other than some scattered remnants of past prospecting and mining activities in the Black Hills. The property consists of barren land with no improvements.

Jenny Hill is an early-stage exploration property. There are no formal geologic reports available at this time. However, we do have copies of all past soil and rock-chip sampling data including maps and results. Most sample analyses were conducted by ALS Chemex. We also have access to the ground magnetometer survey report by Zonge Geosciences, Inc. that was conducted on behalf of Comaplex Minerals.

We staked eighty-five (85) new lode claims during the first quarter of 2005 in order to expand the Jenny Hill property to cover additional property that we believe is prospective for gold exploration. We now control 182 contiguous lode claims that cover approximately 3,640 acres. We initiated limited field exploration work during our first quarter of 2005 which consisted largely of reconnaissance sampling on the newly acquired ground and detail geologic mapping and sampling in the northern portion of the claim block.

We initiated a large, GPS-based, ground magnetometer survey in late April 2005. The survey was completed by a Reno-based geophysical contractor in early May. The survey was conducted to help identify structures related to mineralization and skarn. The magnetometer lines were combined with a previous survey (same contractor) for a total of 68 lines on approximately 100 meter spacing for a total of 105 line-kilometers of data acquisition. The entire claim block is now covered by the magnetometer survey. Subsequent data was interpreted by a certified, Reno-based geophysicist who produced maps showing structure, geologic units, and mineral targets. These data will be used with newly acquired soil geochemical data to help identify drill targets.

Six gravity meter lines and one tie line were also surveyed by the same contractor on the northern portion of the claim block. The survey was conducted to identify depth to bedrock in covered areas and also to help identify concealed structures and rock types. Data interpretation remains in progress. This portion of the claim block has potential for Carlin-type gold hosted in Triassic sedimentary rocks.

We have completed our geophysical programs and are continuing geologic mapping with the objective of identifying drill targets.

Our plan of exploration for the Jenny Hill Property is as follows:

Description of Phase of Exploration	Description of Exploration Work Required
Permitting	Permitting with Bureau of Land Management for initial drill program
Phase One Drilling	Completion of twenty reverse circulation drill holes at approximately 500 feet per hole for total drilling of approximately 10,000 feet

Description of Phase of Exploration	Description of Exploration Work Required
Data Evaluation	Evaluate cross-sections of drill core and re-evaluate potential of mineral claims
Reclamation	Reclamation of drill sites

The anticipated timetable and estimated budget for completion if each stage of exploration are as follows:

Stage of Exploration	Anticipated Timetable for Completion	Estimated Cost of Completion
Permitting	2nd Qtr of 2006	$10,000
Phase One Drilling	2nd - 3rd Qtr of 2006	$300,000
Data Evaluation	3rd Qtr of 2006	$10,000
Reclamation	4th Qtr of 2006	$12,000
Total		$332,000

5. Geology

The Jenny Hill Property is located along the eastern margin of the northwest-trending Walker Lane Mineral Belt. Bedrock consists of a mass of Jurassic granitic rock resting on a thrust fault, Cretaceous (?) dikes and sills, and sedimentary strata of Triassic Luning Formation. Potential for a Carlin-type gold deposit(s) is present in the altered siltstones of the Luning Formation at the northern end of the claim block. Outcrops yield a Carlin-type geochemical signature with anomalous gold. Potential for gold-bearing skarn exists on the southern portion of the claim block where Cretaceous dikes have cut and altered the Luning Formation adjacent to a large thrust sheet of Cretaceous granitic rock. Anomalous gold is present at the surface in skarn exposures. The northern and southern areas of the property appear linked by a major north-trending fault that may be related to gold mineralization. The property has never been drilled.

LA BUFA PROPERTY

1. Location and Access

The La Bufa exploration concession is located in the southwest extremity of the state of Chihuahua, Mexico and is centered on the small town (mining district) of Guadalupe y Calvo in the Sierra Madre Occidental. The single exploration concession adjoins and surrounds other concessions within the district. Net area is 1040.75 hectares (approximately 2571 net acres). The nearest commercial airport is in the city of Chihuahua, 480 km by road from the property. All-season vehicle access to the property is excellent. The town of Guadalupe y Calvo is the terminus of the paved, well-maintained Mexico Highway 24 which winds 270 kilometers from mining town of Hidalgo del Parral to the northeast. Access on the concession is via dirt roads. A map showing the location and access to the La Bufa property is presented below.

2. Ownership Interest

On 5th August, 2005, we executed a Letter of Intent to Joint Venture the La Bufa property with Almaden Minerals Ltd., a TXE-listed company. The property is held by Minera Gavilan, S.A. de C.V., a Mexican corporation 100% owned by Almaden Minerals Ltd.

Under the letter of intent, we may acquire a 60% interest in the Bufa project by spending US$3 Million on the property and issuing 450,000 shares of Lincoln to Almaden over a five year period. Lincoln is committed to spend US$100,000 in the first year and must issue 50,000 shares upon approval by the TSX. Should the Bufa property enter production, we must issue a further 100,000 shares to Almaden.

Name	Type	Title	File	Area Hect.	Issued	Expired	Tax Rate	Pesos	US$
La Bufa	Explor.	219036	16/31696	1040.7594	31/Jan/03	30-Jan-09	$6.0100	$6,256	$585
La Bufa	Explor.	222724	16/32275	485.0000	27-Aug-04	26-Aug-10	$6.0100	$2,916	$273
La Bufa	Explor.	223165	16/32529	765.5000	28-Oct-04	27-Oct-10	$6.0100	$4,602	$430

3. History of Operations

Gold was discovered in the Guadalupe y Calvo district in 1835 with extended periods of production up to 1939. The discovered gold-silver veins were exploited largely by underground operations. A mint was constructed in 1844 by the Mexican government to take advantage of the precious metals production in the district.

Modern exploration work in the district has centered largely in the area of past production which is surrounded completely by the La Bufa concession. Although the vein system extends beyond the area of the old workings, little exploration work has been conducted. Asarco drilled two core holes in the 1970 s on La Bufa ground but the drill hole locations and results remain unknown.

A previous joint venture on the La Bufa Property between Almaden Minerals Ltd. and Grid Capital Corporation resulted in the drilling of five angle core holes (666.15 m) in three locations during December 2004. Hole GUD04-03 returned encouraging gold-silver-lead-zinc assays from multiple, narrow-vein intercepts (Almaden Minerals News Release, Jan. 24, 2005). However, Grid Capital backed out of the joint venture for undisclosed reasons. We have since entered into a new joint venture with Almaden to explore the La Bufa concession.

4. Present Condition of the Property and Proposed Exploration Program

The La Bufa Property is in the early stage of exploration and presently contains no known gold or silver resources. There is no plant or equipment on the Property. The property encompasses the town of Guadalupe y Calvo. The area of potential gold-silver mineralization lies largely along the eastern side of the town in low, forested and brushed covered hills.

The plan for exploration of the La Bufa Concession is as follows:

Description of Phases of Exploration	Description of Exploration Work Required
Land Acquisition	Acquire the El Chapito Concession (inlier within La Bufa)
Data Compilation	Compile available data from Almaden and Grid
Geologic Mapping	Acquire adequate base maps and conduct geologic mapping
Rock-Chip Sampling	Sample outcrops where warranted
Soil Sample Survey	Conduct soil sampling over the entire prospective area
Phase 1 Core Drilling	Drill three, widely spaced flat core holes across the vein system. Each drill hole would be approximately 1,500 feet, for total drilling of approximately 4,500 feet.
Data Evaluation	Evaluate drilling results and tie them to the surface work

Stage of Exploration	Anticipated Timetable for Completion	Estimated Cost to Completion
Land Acquisition	1st Qtr 2006	$25,000
Base Map Acquisition	1st Qtr 2006	$20,000
Geologic Mapping	1st - 2nd Qtr 2006	$56,000
Rock Chip Sampling	2nd Qtr 2006	$3,000
Soil Sample Survey	2nd Qtr 2006	$10,000
Target Identification	2nd Qtr 2006	$10,000
Permitting	2nd - 3rd Qtr 2006	$6,000
Phase One Core Drilling	3rd Qtr 2006	$256,000

Data Evaluation	3rd 4th Qtr 2006	$20,000
Total		$406,000

During the third quarter of 2005, the Company s Vice President of Exploration, Jeffrey Wilson and a senior contract geologist, Richard Bybee, inspected and sampled the La Bufa Property. Both geologists are qualified persons. Shortly after the property visit, both geologists recommended acquisition of the property.

5. Geology

The La Bufa Property lies within the Guadalupe y Calvo district which is one of many epithermal gold-silver districts in the Sierra Madre Occidental of western Mexico. The Sierra Madre Occidental is characterized by deeply incised mountains, and has a total relief of about 3,000 meters. Most of the bedrock exposed in the vicinity of Guadalupe y Calvo consists of an upper volcanic series of bedrock which is commonly hundreds of meters in thickness. However, erosional exposures of a lower volcanic series of rock, which is favourable to mineralization and occurs in ranges up to 1,000 meters in thickness, are exposed along the eastern flank and central portions of the northwest-trending Guadalupe River Valley that traverses the La Bufa concession. The contact between the upper and lower volcanic series of rock is rarely exposed.

District mineralization occurs as northwest-trending, epithermal gold-silver-lead-zinc quartz veins and breccia veins with local attending stockworks. The veins occur only in the lower volcanic series. Veins typically range from 1 to 3+ meters in true thickness and are generally steeply dipping but may also have shallow dips. Historic production in the district encountered local mineralized zones measuring tens of meters in thickness. Past mining on the Rosario vein extended for a continuous strike length of over 600 meters on seven levels. The vein system appears to consist of multiple strands and extends southeastward for a distance of at least 1700 meters across the La Bufa Concession. The main paved road entering the town has a road cut that exposes a 70-meter zone containing multiple quartz veins.

GLOSSARY OF TECHNICAL TERMS

Term	Definition
Artesian water	Ground water under pressure
Carboniferous	Geologic Period referring to rocks 286 to 360 million years old
Carlin-type deposit	Gold deposits hosted in sedimentary rocks with disseminated gold occurring as micron or submicron particles (invisible gold), typically with very little to no silver. Very large deposits of this type are found in the Carlin Trend in north- central Nevada.
Caving ground	A drilling term that refers to rock formations that break when penetrated by a drill and produce rock fragments that may block the borehole and/or contaminate the drill cuttings.
Cove-type deposit	Gold-silver deposits hosted in sedimentary rocks with significant amounts of precious metals mineralization hosted in veinlets. The Cove deposit is located in the northern portion of the Battle Mountain-Eureka Trend.
Cretaceous	Geologic Period referring to rocks 66.4 to 144 million years old.
Devonian	Geologic Period referring to rocks 360 to 408 million years old.
Dikes and sills	Generally narrow bodies of igneous rock implaced as magma along faults across bedding (dike) or along zones parallel to bedding (sill).
Geochemical survey	A sampling program focusing on trace elements that are commonly found associated with mineral deposits. Common trace elements for gold are mercury, arsenic, and antimony.
Geologic mapping	The process of mapping geologic formations, associated rock characteristics and structural features.
Geophysical survey	The systematic measurement of electrical, gravity, seismic, magnetic, or other properties as a tool to help identify rock type(s), faults, structures and minerals.
Golconda thrust	A major, flat-lying fault that has transposed older rocks over younger rocks.
Gossanous	Refers to an iron-bearing material that typically overlies a sulfide-bearing mineralized zone. It forms by the oxidation and leaching out of sulfur and most metals leaving hydrated iron oxides.
Gravimeter survey	A survey using a sensitive instrument that can detect density differences in geologic formations.
Intrusive rock	Refers to any igneous rock (e.g. granite) that was implaced as a magma.
Jurassic	Geologic Period referring to rocks 144 to 208 million years old.
Lost circulation	The loss of drilling fluids through open faults, fractures, and/or permeable rock.

	Definition
Magnetometer survey	A survey using a sensitive instrument that can detect the distortion of the Earth s magnetic field by different geologic formations.
Mercury soil gas survey	A geochemical sampling survey in which mercury vapor is sampled and measured. Mercury is typically associated with gold deposits in the Great Basin and is a pathfinder for finding gold deposits.
Metamorphic rock	Pre-existing rock that has been physically changed by temperature, pressure, shearing stress, or chemical environment, generally at depth in the Earth s crust
Pathfinder elements	Trace elements that are typically associated with gold deposits. Common pathfinder elements are mercury, arsenic and antimony.
Penn-Permian	Geologic Periods referring to rocks ranging from 245 to 320 million years old.
Permo-Triassic	Geologic Periods referring to rocks ranging from 208 to 286 million years old.
Reverse-circulation drilling	A drilling method that minimizes contamination of drill cuttings.
Roberts Mountains Thrust	A major, flat-lying fault that has transposed older rocks over younger rocks.
Rock-chip sampling	The process of chipping off rock samples from outcrops for chemical analysis.
Schist	A metamorphic rock that is highly foliated and readily splits into flakes or slabs commonly due to a high content of mica.
Skarn deposit	Mineralization formed at the flanks and in contact with intrusive rocks.
Stratigraphy	The sequence of stratified rocks.
Subcrop	Bedrock just below the surface and usually contributing weathered rock material to the surficial debris.
Tertiary	Geologic Period referring to rocks ranging in age from 1.6 to 66.4 million years old.
Thrust sheet	A block of rock underlain by a flat-lying fault that originated from compressional forces.
Triassic	Geologic Period referring to rocks 208 to 245 million years old
Tuff	Volcanic ash that has been solidified into rock.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

Our planned exploration expenditures for the next twelve months on our Nevada mineral properties and our Mexican La Bufa property, together with amounts due to maintain our interest in these claims, are summarized as follows:

Name of Property	Planned Exploration Expenditures	Amounts of Claims Maintenance Due	Amount of Property Payment Due	Total
Exploration of Buffalo Valley Property, Nevada	$5,000	-	-	$5,000
Exploration of Hannah Property, Nevada	$97,000	$3,000	$10,000	$110,000
Exploration of JDS Property, Nevada	$133,000	$12,000	-	$145,000
Exploration of Jenny Hill Property, Nevada	$330,000	$3,000	$25,000	$358,000
Reclamation of Lincoln Flat Property, Nevada	$15,000	-	-	$15,000
Exploration of La Bufa Property, Mexico	$370,000	$2,000		$372,000
Administration Nevada	$195,000	-	-	$195,000
Administration Vancouver	$300,000	-	-	$300,000
Total	**$1,445,000**	**$20,000**	**$35,000**	**$1,500,000**

The general and administrative expenses for the year will consist primarily of professional fees for the audit and legal work relating to our regulatory filings throughout the year, as well as transfer agent fees, management fees, investor relations and general office expenses.

We had cash in the amount of $238,613 and working capital in the amount of $95,259 as of September 30, 2005. Based on our planned expenditures, we will require a minimum of approximately $1,500,000 to proceed with our plan of operations over the next twelve months. We anticipate that we will require additional financing in order to pursue our exploration programs beyond the preliminary exploration programs for our mineral properties that are outlined above. If we achieve less than the full amount of financing that we require, we will scale back our exploration programs on our mineral properties and will proceed with scaled back exploration plans based on our available financial resources.

During the next twelve month period, we anticipate that we will not generate any revenue. Accordingly, we will be required to obtain additional financing in order to continue our plan of operations. We believe that debt financing will not be an alternative for funding additional phases of exploration as we do not have tangible assets to secure any debt financing. We anticipate that additional funding will be in the form of equity financing from the sale of our common stock. However, we do not have any financing arranged and we cannot provide investors with any assurance that we will be able to raise sufficient funding from the sale of our common stock to fund our exploration programs. In the absence of such financing, we will not be able to continue exploration of our mineral claims. Even if we are successful in obtaining equity financing to fund our exploration programs, there is no assurance that we will obtain the funding necessary to pursue any advanced exploration of our mineral claims following the completion of preliminary exploration. If we do not continue to obtain additional financing, we will be forced to abandon our properties and our plan of operations.

We may consider entering into a joint venture arrangement to provide the required funding to pursue drilling and advanced exploration of our mineral claims. Even if we determined to pursue a joint venture partner, there is no assurance that any third party would enter into a joint venture agreement with us in order to fund exploration of our mineral claims. If we entered into a joint venture arrangement, we would likely have to assign a percentage of our interest in our mineral claims to the joint venture partner.

Our exploration plans will be continually evaluated and modified as exploration results become available. Modifications to our plans will be based on many factors, including: results of exploration, assessment of data, weather conditions, exploration costs, the price of gold and available capital. Further, the extent of our exploration programs that we undertake will be dependent upon the amount of financing available to us.

BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

We were incorporated as Braden Technologies Inc. Effective March 26, 2004, we acquired 100% of the issued and outstanding shares of Lincoln Gold Corp. by issuing 24,000,000 shares of our common stock. We subsequently merged with Lincoln Gold Corp. and changed our name to Lincoln Gold Corporation. Since the acquisition transaction resulted in the former shareholders of Lincoln Gold Corp. owning the majority of our issued and outstanding shares, the transaction, which is referred to as a reverse take-over , has been treated for accounting purposes as an acquisition by Lincoln Gold Corp. of the net assets and liabilities of Braden Technologies Inc. Under this purchase method of accounting, the results of operations of Braden Technologies Inc. are included in these consolidated financial statements from March 26, 2004. Our date of inception is the date of inception of Lincoln Gold Corp., being September 25, 2003 and our financial statements are presented with reference to the date of inception of Lincoln Gold Corp.

RESULTS OF OPERATIONS

Our results of operations for the nine months ended September 30, 2005 are summarized below:

	Nine months ended Sep 30, 2005	Nine months ended Sep 30, 2004	Increase	Three months ended Sep 30, 2005	Three months ended Sep 30, 2004	Increase
Net loss	$ (1,202,022)	$ (556,555)	$ 645,467	$ (410,322)	$ (223,130)	$ 187,192
Exploration expenditures	534,890	223,182	311,708	207,665	185,037	22,628

Both our net loss and exploration expenditures increased substantially for both the nine month period and the three month period ended September 30, 2005 over the corresponding periods in 2004. These increases are attributable largely to our increased exploration activities during 2005, as outlined under the heading Exploration Activity During the Nine Months Ended September 30, 2005 . We anticipate that our expenses and net loss will continue to increase throughout the current fiscal year in comparison with 2004 as a result of our planned exploration activities and as a result of payments required to maintain our interests in our mineral properties. In addition, we anticipate continued increased professional fees as we comply with our obligations as a reporting company under the Securities Exchange Act of 1934. We anticipate that we will not earn any revenues during the current fiscal year or in the foreseeable future as we are presently engaged in the exploration of our mineral properties.

LIQUIDITY AND CAPITAL RESOURCES

Our cash position at September 30, 2005 was $238,613 compared to $127,785 as of December 31, 2004. We had working capital of $95,259 as of September 30, 2005 compared to a working capital deficit of $43,959 as of December 31, 2004.

March 2005 Private Placement Financing

We completed a private placement financing in March 2005 for net proceeds of $905,190. The private placement financing was comprised of the issue of an aggregate of 3,145,000 units (each a Unit) at a price of $0.30 per Unit to an aggregate of 53 purchasers for total proceeds of $943,500. Each Unit is comprised of one share of common stock and one share purchase warrant (a Warrant). Each Warrant entitles the investor to purchase one additional share of common stock for a two year period at a price of $0.40 per share during the period from the date of issue to the date that is one year from the date of issue and at a price of $0.50 per share during the period from the date that is one year from the date of issue to the date that is two years from the date of issue. During our second quarter, we completed the filing of a registration statement with the Securities and Exchange Commission in order to register the resale by the investors of the private placement shares and the shares issuable upon exercise of the warrants.

Plan of Operations

We estimate that our total expenditures over the next twelve months will be approximately $1,500,000, as outlined above under the heading Plan of Operations . We anticipate that we will require a minimum of approximately $1,400,000 in additional financing to proceed with our plan of operations over the next twelve months. In addition, we anticipate that we will require additional financing in order to pursue our exploration programs beyond the preliminary exploration programs for our mineral properties that are outlined above.

If we are unable to achieve the necessary additional financing, then we plan to reduce the amounts that we spend on our exploration activities and administrative expenses in order to be within the amount of capital resources that are available to us. Specifically, we anticipate that we would defer drilling programs pending our obtaining additional financing. Given our plan to scale back our operations if we do not achieve additional financing, we anticipate that our current cash and working capital will be sufficient to enable us to sustain our operations and our interests in our mineral properties for the next twelve months.

Outstanding Convertible Note

We arranged for a $200,000 convertible note during the fiscal year ended December 31, 2004. On September 15, 2005 we completed an agreement whereby we repaid $100,000 of the convertible note along with $35,000 accrued interest and agreed to repay the remaining $100,000 within sixty days. With the completion of the first payment the convertible note was deemed to be repaid in full and the ability of the holder to convert the debt into common stock and share purchase warrants was cancelled.

Going Concern

We have not attained profitable operations and are dependent upon obtaining financing to pursue any extensive exploration activities. For these reasons our auditors stated in their report that they have substantial doubt we will be able to continue as a going concern.

Future Financings

We will require additional financing in order to proceed with the exploration of our mineral properties. We plan to complete private placement sales of our common stock in order to raise the funds necessary to pursue our plan of operations and to fund our working capital deficit. Issuances of additional shares will result in dilution to our existing shareholders. We currently do not have any arrangements in place for the completion of any private placement financings and there is no assurance that we will be successful in completing any private placement financings.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

CRITICAL ACCOUNTING POLICIES

Mineral Property Acquisition Payments and Exploration Costs

We have been in the exploration stage since our formation on September 25, 2003 and we have not yet realized any revenues from our planned operations. We are primarily engaged in the acquisition and exploration of mining properties. Mineral property acquisition and exploration costs are expensed as incurred. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs incurred to develop such property, are capitalized. Such costs will be amortized using the unitsof- production method over the estimated life of the probable reserve. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to operations.

Stock Based Compensation

We have elected to apply intrinsic value method of accounting in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25). Under the intrinsic value method of accounting, compensation expense is recognized if the exercise price of our employee stock options is less than the market price of the underlying common stock on the date of grant. Stock-based compensation for employees is recognized on the straight-line basis over the vesting period of the individual options. Stock options granted to non-employees are accounted for under Statement of Financial Accounting Standards No. 123 *Accounting for Stock-Based Compensation* (SFAS 123), which establishes a fair value based method of accounting for stock based awards, and recognizes compensation expense based on the fair value of the stock award or fair value of the goods and services received, whichever is more reliably measurable. Under the provisions of SFAS 123, companies that elect to account for stock-based awards in accordance with the provisions of APB 25 are required to disclose pro forma net income (loss) that would have resulted from the use of the fair value based method under SFAS 123.

Foreign Currency Translation

Our functional and reporting currency is the United States dollar. Foreign currency transactions are primarily undertaken in Canadian dollars and are translated into United States dollars using exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-measured at each balance sheet date at the exchange rate prevailing at the balance sheet date. Foreign currency exchange gains and losses are charged to operations. We have not, to the date of our September 30, 2005 financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

TABLE OF CONTRACTUAL OBLIGATIONS

Our known contractual obligations as of December 31, 2004, being the end of our last fiscal year, were as follows:

	Payment due by period				
Type of Contractual Obligation	**Total**	**Less than 1 Year**	**1 3 Years**	**3 - 5 Years**	**More than 5 Years**
Long-Term Debt Obligations	$200,000	-	$200,000	-	-
Capital (Finance) Lease Obligations	-	-	-	-	-
Operating Lease Obligations	-	-	-	-	-
Purchase Obligations	-	-	-	-	-
Other Long-Term Liabilities Reflected on the Company's Balance Sheet under the GAAP of the primary financial statements	-	-	-	-	-
Total	$200,000	-	$200,000	-	-

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Except as described below, none of the following persons has any direct or indirect material interest in any transaction to which we were or are a party during the past two years, or in any proposed transaction to which the Company proposes to be a party:

(A) any director or officer;

(B) any proposed nominee for election as a director;

(C) any person who beneficially owns, directly or indirectly, shares carrying more than 5% of the voting rights attached to our common stock; or

(D) any relative or spouse of any of the foregoing persons, or any relative of such spouse, who has the same house as such person or who is a director or officer of any parent or subsidiary.

Acquisition of Lincoln Gold

The following of our directors, officers and 5% shareholders were issued the number of shares of our common stock set forth below in consideration of their sale of the number of shares of Lincoln Gold Corp. set forth below in connection with our acquisition of Lincoln Gold Corp., as more particularly described the section of this Prospectus entitled Description of Business .

Name	**Number of Shares of Common Stock Issued**	**Original Number of Shares of Lincoln Gold Corp. held and transferred**	**Cost of purchase of Shares of Lincoln Gold Corp.**
Paul Saxton Director, President, Chief Executive Officer and Chief Financial Officer	5,500,000	550,000	$5,500
Andrew Milligan Director	1,500,000	150,000	$1,500
James Currie Director	1,500,000 (1)	150,000	$1,500
James Chapman Director	1,500,000 (2)	150,000	$1,500
Joe Eberhard Dorfstrasse #15 CH 8903, Birmensdorf Switzerland	3,000,000	300,000	$3,000
Michael Baybak Suite 1200 750 West Pender Street Vancouver, B.C.	2,500,000	250,000	$2,500

(1) Subsequently transferred 750,000 shares to Steven Chi.

(2) Subsequently transferred 750,000 shares to Jeffrey Wilson.

Grant of Stock Options

Our directors and officers were granted the options to purchase shares of our common stock as set forth in the section of this prospectus entitled Executive Compensation .

Private Placement of Units

Sprott Asset Management Inc. purchased 1,700,000 units at a price of $0.30 per unit in December 2004 for an aggregate purchase price of $510,000. Each unit is comprised of one share of common stock and one share purchase warrant. Each warrant entitles the investor to purchase one additional share of common stock for a two year period at a price of $0.40 per share during the period from the date of issue to the date that is one year from the date of issue and at a price of $0.50 per share during the period from the date that is one year from the date of issue to the date that is two years from the date of issue. We have agreed to file a registration statement with the Securities and Exchange Commission in accordance with the requirements of the Securities Act of 1933 in order to register the resale by the investor of the shares and the shares issuable upon exercise of the warrants. We agreed to file the registration statement within 120 days from the date of completion of the sale of the units.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

OTC Bulletin Board

Shares of our common stock are quoted on the OTC Bulletin Board under the symbol LGCP. The following table indicates the high and low bid prices of our common stock during the periods indicated:

QUARTER ENDED	HIGH BID	LOW BID
December 31, 2005	$0.27	$0.15
September 30, 2005	$0.54	$0.23
June 30, 2005	$0.90	$0.44
December 31, 2004	$0.51	$0.31
October 30, 2004	$0.90	$0.42
June 30, 2004	$0.90	$0.28
March 31, 2004	$0. 28	$0.21
December 31, 2004	$0. 21	$0.21
October 30, 2004	$0. 21	$0.21
June 30, 2004	$0. 21	$0.10
March 31, 2004	$0. 05	$0.05

The source of the high and low bid information is the NASD OTC Bulletin Board. The market quotations provided reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

Penny Stock

Our common stock is considered penny stocks under the rules the Securities and Exchange Commission (the SEC) under the Securities Exchange Act of 1934. The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than $5.00, other than securities registered on certain national securities exchanges or quoted on the Nasdaq system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or quotation system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the Commission, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation to such duties or other requirements of Securities' laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type, size and format, as the Commission shall require by rule or regulation. The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with: (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) a monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgement of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitably statement.

These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our stock if it becomes subject to these penny stock rules. Therefore, if our common stock becomes subject to the penny stock rules, stockholders may have difficulty selling those securities.

HOLDERS OF COMMON SHARES

As at February 6, 2006 , we had eighty-nine registered holders of our common stock.

DIVIDENDS

There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where, after giving effect to the distribution of the dividend:

1. We would not be able to pay our debts as they become due in the usual course of business; or

2. Our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the rights of shareholders who have preferential rights superior to those receiving the distribution.

We have not declared any dividends and we do not plan to declare any dividends in the foreseeable future.

EQUITY COMPENSATION PLAN INFORMATION.

As at December 31, 2004, we had one equity compensation plan under which our common shares have been authorized for issuance to our officers, directors, employees and consultants, namely our 2004 Stock Option Plan. Our 2004 Stock Option Plan has not been approved by our shareholders. We did not have any equity compensation plans that had not been approved by our shareholders as of the end of our fiscal year.

The following summary information is presented for our 2004 Stock Option Plan as of December 31, 2004.

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	**Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights**	**Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in column (a))**
Plan Category	(a)	(b)	(c)
Equity Compensation Plans Approved By Security Holders	Not Applicable	Not Applicable	Not Applicable
Equity Compensation Plans Not Approved By Security Holders	2,410,000 Shares of Common Stock	$0.60 per Share	90,000 Shares

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth compensation information as to our chief executive officer, Mr. Paul Saxton, and Mr. Peter, Bell, our former chief executive officer, for the past three fiscal years. None of our executive officers earned more than $100,000 during our most recently completed fiscal year. Mr. Saxton and Mr. Bell are our named executive officers. No other compensation was paid to any such officer or directors other than the cash and stock option compensation set forth below.

SUMMARY COMPENSATION TABLE									
			ANNUAL COMPENSATION			LONG TERM COMPENSATION			
Name	Title	Year	Salary	Bonus	Other Annual Compensation	AWARDS		PAYOUTS	
						Restricted Stock Awarded	Options/ SARs * (#)	LTIP payouts ($)	All Other Compen-sation
Paul Saxton (1)	President, Chief Executive Officer, Chief Financial Officer and Director	2004	$4,500 (1)	0	0	0	430,000	0	0
Peter Bell (2)	Former Chief Executive Officer and Director	2004 2003 2002	$0 $0 $0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0

(1) Mr. Saxton was appointed as a director and as our president, chief executive officer and chief financial officer on March 26, 2004. We paid a management fee of $4,500 to a private holding company of Mr. Saxton during our fiscal year ended December 31, 2004.

(2) Mr. Bell resigned as our president and chief executive officer on March 26, 2004.

STOCK OPTION GRANTS

The following table sets forth information with respect to stock options granted to directors and officers, including our named executive officers, for our fiscal year ended December 31, 2004.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

(INDIVIDUAL GRANTS)

Name	**Number of Securities Underlying Options Granted**	**% of Total Options Granted to Employees[1]**	**Exercise Price (per Share)**	**Expiration Date**

Paul Saxton Director, President, Chief Executive Officer and Chief Financial Officer	430,000	21.4%	$0.60	May 25, 2007
Andrew Milligan Director	430,000	21.4%	$0.60	May 25, 2007
James Currie Director	200,000	9.9%	$0.60	May 25, 2007
James Chapman Director	200,000	9.9%	$0.60	May 25, 2007
Jeffrey Wilson Vice-President Exploration	430,000	21.4%	$0.60	May 25, 2007

EXERCISES OF STOCK OPTIONS AND YEAR-END OPTION VALUES

The following is a summary of the share purchase options exercised by our directors and officers, including our named executive officers, during our fiscal year ended December 31, 2004:

AGGREGATED OPTION/SAR EXERCISES DURING THE LAST FINANCIAL YEAR END AND FINANCIAL YEAR-END OPTION/SAR VALUES

Name (#)	Common Shares Acquired on Exercise	Value Realized ($)	Unexercised Options at Financial Year-End (#) exercisable/ unexercisable	Value of Unexercised In-The-Money Options/SARs at Financial Year-End ($) exercisable/ unexercisable
Paul Saxton Director, President, Chief Executive Officer and Chief Financial Officer	NIL	NIL	430,000/NIL	$NIL/$NIL
Andrew Milligan Director	NIL	NIL	430,000/NIL	$NIL/$NIL
James Currie Director	NIL	NIL	200,000/NIL	$NIL/$NIL
James Chapman Director	NIL	NIL	200,000/NIL	$NIL/$NIL
Jeffrey Wilson Vice-President Exploration	NIL	NIL	430,000/NIL	$NIL/$NIL

LONG-TERM INCENTIVE PLANS

We do not have any long-term incentive plans, pension plans, or similar compensatory plans for our directors or executive officers.

EMPLOYMENT CONTRACTS

We do not have any employment contracts with any of our officers or directors.

FINANCIAL STATEMENTS

The following consolidated financial statements of Lincoln Gold listed below are included with this prospectus. These financial statements have been prepared on the basis of accounting principles generally accepted in the United States and are expressed in U.S. dollars.

Audited Financial Statements for the Year Ended December 31, 2004	**PAGE**
Auditors Report	F-1
Consolidated Balance Sheets, December 31, 2004 and 2003	F-2
Consolidated Statements of Operations for the year ended December 31, 2004 and for the periods from inception (September 25, 2003) to December 31, 2004 and 2003	F-3
Consolidated Statements of Cash Flows for the year ended December 31, 2004 and for the periods from inception (September 25, 2003) to December 31, 2004 and 2003	F-4
Consolidated Statements of Stockholders Equity for the period from inception (September 25, 2003) to December 31, 2004	F-5
Notes to Consolidated Financial Statements	F-6
Unaudited Financial Statements for the nine months ended September 30, 2005	**PAGE**
Balance Sheet as at September 30, 2005	F-1
Statements of Operations for the period from September 25, 2003 (Date of Inception) to September 30, 2005 and for the nine months ended September 30, 2005 and 2004	F-2
Statements of Cash Flows for the period from September 25, 2003 (Date of Inception) to September 30, 2005 and for the nine months ended September 30, 2005 and 2004	F-3
Notes to Financial Statements	F-4

LINCOLN GOLD CORPORATION
(An Exploration Stage Company)

REPORT AND FINANCIAL STATEMENTS

December 31, 2004 AND 2003

	PAGE
Auditors' Report	F-1
Consolidated Balance Sheets, December 31, 2004 and 2003	F-2
Consolidated Statements of Operations, Years Ended December 31, 2004 and 2003	F-3
Consolidated Statements of Cash Flows, Years Ended December 31, 2004 and 2003	F-4
Consolidated Statements of Stockholders' Equity, Years Ended December 31, 2004 and 2003	F-5
Notes to Consolidated Financial Statements	F-6

A PARTNERSHIP OF INCORPORATED PROFESSIONALS

AMISANO HANSON
CHARTERED ACCOUNTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders,
Lincoln Gold Corporation
(formerly Braden Technologies Inc.)

We have audited the accompanying balance sheets of Lincoln Gold Corporation (formerly Braden Technologies Inc.) (An Exploration Stage Company) as of December 31, 2004 and 2003 and the related statements of operations, stockholders' deficiency and cash flows for the year ended December 31, 2004, the period September 25, 2003 (Inception) to December 31, 2003 and the period September 25, 2003 (Inception) to December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform an audit to obtain reasonable assurance 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, these financial statements referred to above present fairly, in all material respects, the financial position of Lincoln Gold Corporation as of December 31, 2004 and 2003 and the results of its operations and its cash flows for the year ended December 31, 2004, the period September 25, 2003 (Inception) to December 31, 2003 and the period September 25, 2003 (Inception) to December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements referred to above have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company is in the exploration stage and has no established source of revenue and is dependent on its ability to raise capital from shareholders or other sources to sustain operations. These factors, along with other matters as set forth in Note 1, raise substantial doubt that the Company will be able to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Vancouver, Canada
April 14, 2005

"*Amisano Hanson*"
Chartered Accountants

750 WEST PENDER STREET, SUITE 604
VANCOUVER CANADA

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LINCOLN GOLD CORPORATION
(An Exploration Stage Company)
BALANCE SHEETS

	DECEMBER 31 **2004**		2003	
ASSETS				
Current				
Cash	**$**	**127,785**	$	15,405
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 9)	**$**	**121,564**	$	15,374
Loans payable (Note 5)		**50,180**		-
		171,744		15,374
Note Payable (Note 6)		**200,000**		-
		371,744		15,374
STOCKHOLDERS' EQUITY (DEFICIENCY)				
Share Capital (Notes 7 and 10)				
Authorized:				
100,000,000 common shares, par value $0.001 per share				
Issued and outstanding:				
38,400,000 common shares at December 31, 2004 and 2,400,000 common shares at December 31, 2003				
		38,400		2,400
Share subscriptions receivable		**(528,000)**		-
Additional paid-in capital		**2,074,663**		13,950
Deficit Accumulated During The Exploration Stage		**(1,829,022)**		(16,319)
		(243,959)		31
	$	**127,785**	$	15,405

Nature and Continuance of Operations (Note 1)
Commitments (Notes 4, 6, 7 and 10)
Subsequent Events (Notes 4 and 10)

SEE ACCOMPANYING NOTES

LINCOLN GOLD CORPORATION
(An Exploration Stage Company)
STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31 2004	PERIOD FROM INCEPTION SEPTEMBER 25 2003 TO DECEMBER 31 2003	PERIOD FROM INCEPTION SEPTEMBER 25 2003 TO DECEMBER 31 2004
Expenses			
Advertising and investor relations	**282,878**	-	282,878
Filing and transfer fees	**3,551**	-	3,551
Foreign exchange	**1,675**	-	1,675
Interest	**$ 19,047**	$ -	$ 19,047
Management fees (Note 9)	**4,500**	-	4,500
Mineral property acquisition and exploration expenditures (Note 9)	**263,126**	11,509	274,635
Office and sundry	**14,978**	95	15,073
Professional fees	**45,490**	4,715	50,205
Stock based compensation	**1,037,663**	-	1,037,663
Travel	**18,443**	-	18,443
Net Loss For The Period	**$ (1,691,351)**	$ (16,319)	$ (1,707,670)
Basic And Diluted Loss Per Share	**$ (0.06)**	$ (0.01)	
Weighted Average Number Of Shares Outstanding	**30,228,219**	1,187,629	

SEE ACCOMPANYING NOTES

LINCOLN GOLD CORPORATION
(An Exploration Stage Company)
STATEMENTS OF CASH FLOWS

		PERIOD FROM		(148,382)	(38,550)
Cash and cash equivalents at the beginning of the period	271,470		171,104		
Cash and cash equivalents at the end of the period	$ 123,088		$ 132,554		
Supplemental disclosures of cash flow information:					
Cash paid for interest	$ 20,324		$ 19,938		
Cash paid (received) for income taxes, net of refunds	1,516		(1,867)		
Supplemental disclosures of non-cash items:					
Conversion of partner deposit and accrued buyout liability to notes	$ 282		$ 2,293		
Acquisitions of property, fixtures and equipment through accounts payable	3,420		2,714		
Litigation liability and insurance receivable	1,401		12,087		

The accompanying notes are an integral part of these Consolidated Financial Statements.

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OSI Restaurant Partners, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation

Basis of Presentation

On June 14, 2007, OSI Restaurant Partners, Inc., by means of a merger and related transactions (the "Merger"), was acquired by Kangaroo Holdings, Inc. (the "Ultimate Parent" or "KHI"), which is controlled by an investor group comprised of funds advised by Bain Capital Partners, LLC ("Bain Capital"), Catterton Partners ("Catterton"), Chris T. Sullivan, Robert D. Basham and J. Timothy Gannon (the "Founders" of the Company) and certain members of management of the Company. In connection with the Merger, OSI Restaurant Partners, Inc. converted into a Delaware limited liability company named OSI Restaurant Partners, LLC (the "Company").

The total purchase price for the Merger was approximately $3.1 billion, and it was financed by borrowings under new senior secured credit facilities and proceeds from the issuance of senior notes (see Note 8), proceeds from the sale-leaseback transaction with Private Restaurant Properties, LLC ("PRP"), an investment made by Bain Capital and Catterton, rollover equity from the Founders and investments made by certain members of management.

The accompanying unaudited consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles in the United States ("U.S. GAAP") for complete financial statements. In the opinion of the Company, all adjustments (consisting only of normal recurring entries) necessary for the fair presentation of the Company's results of operations, financial position and cash flows for the periods presented have been included. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the financial statements and financial notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008 ("2008 10-K").

On January 1, 2009, the Company adopted SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – Including an Amendment of ARB No. 51" ("SFAS No. 160"). SFAS No. 160 modifies the presentation of noncontrolling interests in the consolidated balance sheet and the consolidated statement of operations. It requires noncontrolling interests to be clearly identified, labeled and included separately from the parent's equity (deficit) and consolidated net income (loss). The presentation and disclosure requirements of SFAS No. 160 have been applied retrospectively, and the Company's consolidated financial statements have been recharacterized accordingly. Other than the change in presentation of noncontrolling interests, the adoption of SFAS No. 160 on January 1, 2009 did not have a material impact on the Company's consolidated financial statements.

The Company owns and operates casual dining restaurants primarily in the United States. The Company's concepts include Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill, Fleming's Prime Steakhouse and Wine Bar, Roy's and Cheeseburger in Paradise. Additional Outback Steakhouse, Carrabba's Italian Grill and Bonefish Grill restaurants in which the Company has no direct investment are operated under franchise agreements.

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OSI Restaurant Partners, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation (continued)

Economic Outlook

The ongoing disruptions in the financial markets and adverse changes in the economy have created a challenging environment for the Company and for the restaurant industry and may limit the Company's liquidity. During 2008, the Company incurred goodwill and intangible asset impairment charges of $604,071,000 and $46,420,000, respectively, which were recorded during the second and fourth quarters of 2008, and restaurant impairment charges of $65,767,000, such that at December 31, 2008, the Company had Total OSI Restaurant Partners, LLC unitholder's deficit of $162,754,000. During the first quarter of 2009, the Company recorded a provision for impaired assets and restaurant closings of $7,136,000 and at March 31, 2009 had Total OSI Restaurant Partners, LLC unitholder's deficit of $35,280,000. In 2008, the Company experienced downgrades in its credit ratings, and it continues to experience declining restaurant sales and be subject to risk from: consumer confidence and spending patterns; the availability of credit presently arranged from revolving credit facilities; the future cost and availability of credit; interest rates; foreign currency exchange rates; and the liquidity or operations of the Company's third-party vendors and other service providers. Additionally, the Company's substantial leverage could adversely affect the ability to raise additional capital, to fund operations or to react to changes in the economy or industry. In response to these conditions, the Company accelerated existing initiatives and implemented new measures in 2008 to manage liquidity.

The Company has implemented various cost-saving initiatives, including food cost decreases via waste reduction and supply chain efficiency, labor efficiency initiatives and reductions to both capital expenditures and general and administrative expenses. The Company developed new menu items to appeal to value-conscious consumers and has used marketing campaigns to promote these items. Additionally, interest expense declined significantly for the first quarter of 2009 as compared to the same period in 2008 due to (1) a significant decrease in outstanding senior notes as a result of the Company's open market purchases during the fourth quarter of 2008 and the completion of a cash tender offer during the first quarter of 2009 and (2) an overall decline in the variable interest rates on the Company's senior secured term loan facility and other variable-rate debt (see Note 8).

If the Company's revenue and resulting cash flow decline to levels that cannot be offset by reductions in costs, efficiency programs and improvements in working capital management, the Company may not remain in compliance with the various financial and operating covenants in the instruments governing its senior secured credit facilities. If this occurs, the Company intends to take such actions available and determined to be appropriate at such time, which may include, but are not limited to, engaging in a permitted equity issuance, seeking a waiver from its lenders, amending the terms of such facilities, or refinancing all or a portion of the facilities under modified terms. There can be no assurance that the Company will be able to effect any such actions on terms that are acceptable or at all or that such actions will be successful in maintaining covenant compliance. The failure to meet debt service obligations or to remain in compliance with the financial covenants would constitute an event of default under those facilities and the lenders could elect to declare all amounts outstanding to be immediately due and payable and terminate all commitments to extend further credit.

The Company believes that these implemented initiatives and measures will allow it to appropriately manage its liquidity to meet its debt service requirements, operating lease obligations, capital expenditures and working capital obligations for the next twelve months. The Company's anticipated revenues and cash flows have been estimated based on results of actions taken, its knowledge of the economic trends and the declines in sales at its restaurants combined with its attempts to mitigate the impact of those declines. However, further deterioration in excess of the Company’s estimates could cause a material adverse impact on its business, liquidity and financial position.

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OSI Restaurant Partners, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

2. Recently Issued Financial Accounting Standards

In September 2006, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS No. 157"), which defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. The provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007 for financial assets and liabilities or for nonfinancial assets and liabilities that are re-measured at least annually. In February 2008, the FASB issued FASB Staff Position ("FSP") SFAS No. 157-2, "Effective Date of FASB Statement No. 157" to defer the effective date for nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a non-recurring basis until fiscal years beginning after November 15, 2008. Beginning January 1, 2009, the Company applied SFAS No. 157 to nonfinancial assets and liabilities that are recognized or disclosed at fair value on a nonrecurring basis. The adoption of SFAS No. 157 did not have a material impact on the Company's consolidated financial statements. See Note 3 for the Company's disclosure requirements and accounting effect of the adoption of SFAS No. 157 on the Company's consolidated financial statements.

In October 2008, the FASB issued FSP SFAS No. 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active," which clarifies the application of SFAS No. 157 in a market that is not active and provides guidance for determining the fair value of a financial asset when the market for that financial asset is not active. This FSP was effective upon issuance, but it did not impact the Company's consolidated financial statements. In April 2009, the FASB issued FSP SFAS No. 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" ("FSP SFAS No. 157-4"). FSP SFAS No. 157-4 provides additional guidance on measuring fair value when there has been a significant decrease in the volume and level of activity for an asset or liability, and for identifying transactions that are not orderly. The guidance for FSP SFAS No. 157-4 also emphasizes that the objective of a fair value measurement will remain in accordance with SFAS No. 157's provisions, even when there has been a significant decrease in market activity and regardless of the valuation technique used. FSP SFAS No. 157-4 is effective for interim and annual reporting periods ending after June 15, 2009. The Company does not expect FSP SFAS No. 157-4 to materially affect its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (Revised), "Business Combinations" ("SFAS No. 141R"), a revision of SFAS No. 141. SFAS No. 141R retains the fundamental requirements of SFAS No. 141, but revises certain elements including: the recognition and fair value measurement as of the acquisition date of assets acquired and liabilities assumed, the accounting for goodwill and financial statement disclosures. In April 2009, the FASB issued FSP SFAS No. 141(R)-1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies" ("FSP SFAS No. 141(R)-1"), which amends and clarifies the provisions in SFAS No. 141R relating to the initial recognition and measurement, subsequent measurement and accounting, and disclosures for assets and liabilities arising from contingencies in business combinations. The provisions of FSP SFAS No. 141(R)-1 are effective for contingent assets and contingent liabilities acquired in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of SFAS No. 141R and FSP SFAS No. 141(R)-1 on January 1, 2009 did not have an effect on the Company's consolidated financial statements, as the Company did not engage in any business combinations during the three months ended March 31, 2009. SFAS No. 141R and FSP SFAS No. 141(R)-1 will only impact the Company's accounting should it acquire any businesses in the future.

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OSI Restaurant Partners, LLC
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2. Recently Issued Financial Accounting Standards (continued)

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS No. 161"), an amendment of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS No. 133"). SFAS No. 161 is intended to enable investors to better understand how derivative instruments and hedging activities affect the entity's financial position, financial performance and cash flows by enhancing disclosures. SFAS No. 161 requires disclosure of fair values of derivative instruments and their gains and losses in a tabular format, disclosure of derivative features that are credit-risk-related to provide information about the entity's liquidity and cross-referencing within the footnotes to help financial statement users locate important information about derivative instruments. The adoption of SFAS No. 161 on January 1, 2009 did not have a material impact on the Company's consolidated financial statements. See Note 4 for the Company's disclosures required by the adoption of SFAS No. 161.

In April 2008, the FASB issued FSP SFAS No. 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP SFAS No. 142-3"). FSP SFAS No. 142-3 amends the factors an entity should consider when developing renewal or extension assumptions for determining the useful life of recognized intangible assets under SFAS No. 142, "Goodwill and Other Intangible Assets." FSP SFAS No. 142-3 is intended to improve the consistency between the useful life of recognized intangible assets under SFAS No. 142 and the period of expected cash flows used to measure the fair value of assets under SFAS No. 141R and other U.S. GAAP. The adoption of FSP SFAS No. 142-3 on January 1, 2009 did not have a material impact on the Company's consolidated financial statements.

In November 2008, the FASB ratified the consensus on EITF Issue No. 08-6, "Equity Method Investment Accounting Considerations" ("EITF No. 08-6"), which provides guidance on and clarification of accounting and impairment considerations involving equity method investments under SFAS No. 141R and SFAS No. 160. EITF No. 08-6 provides guidance on how the equity method investor should initially measure the equity method investment, account for impairment charges of the equity method investment and account for a share issuance by the investee. The adoption of EITF No. 08-6 on January 1, 2009 did not have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FSP SFAS No. 107-1 and Accounting Principles Board ("APB") Opinion No. 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP SFAS No. 107-1 and APB Opinion No. 28-1"). FSP SFAS No. 107-1 and APB Opinion No. 28-1 amends SFAS No. 107, "Disclosures about Fair Value of Financial Instruments" and APB Opinion No. 28, "Interim Financial Reporting," to require disclosures about fair value of financial instruments for interim reporting periods. The provisions of FSP SFAS No. 107-1 and APB Opinion No. 28-1 are effective for interim reporting periods ending after June 15, 2009. The Company does not expect FSP SFAS No. 107-1 and APB Opinion No. 28-1 to materially affect its consolidated financial statements.

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3. Fair Value Measurements

On January 1, 2008, the Company adopted SFAS No. 157 for financial assets and liabilities and nonfinancial assets and liabilities that are re-measured at least annually. On January 1, 2009, the Company applied SFAS No. 157 to nonfinancial assets and liabilities that are recognized or disclosed at fair value on a nonrecurring basis. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

SFAS No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. As defined in SFAS No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). To measure fair value, the Company incorporates assumptions that market participants would use in pricing the asset or liability, and utilizes market data to the maximum extent possible. In accordance with SFAS No. 157, measurement of fair value incorporates nonperformance risk (i.e., the risk that an obligation will not be fulfilled). In measuring fair value, the Company reflects the impact of its own credit risk on its liabilities, as well as any collateral. The Company also considers the credit standing of its counterparties in measuring the fair value of its assets.

As a basis for considering market participant assumptions in fair value measurements, SFAS No. 157 establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1 – Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access;
- Level 2 – Inputs, other than the quoted market prices included in Level 1, which are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market data available.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Fair Value Measurements on a Recurring Basis

The Company invests its excess cash in money market funds classified as Cash and cash equivalents or restricted cash in its Consolidated Balance Sheet at March 31, 2009 at a net value of 1:1 for each dollar invested. The fair value of the majority of the investment in the money market fund is determined by using quotes for similar assets in an active market. As a result, the Company has determined that the majority of the inputs used to value this investment fall within Level 2 of the fair value hierarchy. As of March 31, 2009, $29,963,000 of the Company's money market investments were guaranteed by the federal government under the Treasury Temporary Guarantee Program for Money Market Funds. This program expires on September 18, 2009.

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OSI Restaurant Partners, LLC
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3. Fair Value Measurements (continued)

Fair Value Measurements on a Recurring Basis (continued)

The Company is highly leveraged and exposed to interest rate risk to the extent of its variable-rate debt. In September 2007, the Company entered into an interest rate collar with a notional amount of $1,000,000,000 as a method to limit the variability of its variable-rate term loan. The valuation of the Company's interest rate collar is based on a discounted cash flow analysis on the expected cash flows of the derivative. This analysis reflects the contractual terms of the collar, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities.

Although the Company has determined that the majority of the inputs used to value its interest rate collar fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with this derivative utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of March 31, 2009, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its interest rate collar derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of this derivative. As a result, the Company has determined that its interest rate collar derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The Company's restaurants are dependent upon energy to operate and are affected by changes in energy prices, including natural gas. The Company uses derivative instruments to mitigate some of its overall exposure to material increases in natural gas prices. The valuation of the Company's natural gas derivatives is based on quoted exchange prices and is classified in Level 2 of the fair value hierarchy.

The Company's third party distributor charges the Company for the diesel fuel used to deliver inventory to the Company's restaurants. The Company enters into forward contracts to procure certain amounts of this diesel fuel at set prices in order to mitigate the Company's exposure to unpredictable fuel prices. The effects of this derivative instrument were immaterial to the Company's financial statements for all periods presented and have been excluded from the tables within this footnote.

The following table presents the Company's money market funds and derivative financial instruments measured at fair value on a recurring basis as of March 31, 2009, aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

	TOTAL MARCH 31, 2009	LEVEL 1	LEVEL 2	LEVEL 3
Assets:				
Money market funds	$ 30,253	$ -	$ 30,253	$ -
Liabilities:				
Derivative financial instruments	$ 24,726	$ -	$ 24,726	$ -

A SFAS No. 157 credit valuation adjustment of $2,939,000 decreased the liability recorded for the interest rate collar as of March 31, 2009.

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3. Fair Value Measurements (continued)

Fair Value Measurements on a Nonrecurring Basis

The following table presents the Company's assets and liabilities measured at fair value on a nonrecurring basis during the three months ended March 31, 2009 aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

	THREE MONTHS ENDED MARCH 31, 2009	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL LOSSES
Long-lived assets held and used	$ 711	$ -	$ -	$ 711	$ 5,130

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"), the Company recorded $5,130,000 of impairment charges as a result of the fair value measurement of its long-lived assets held and used on a nonrecurring basis during the three months ended March 31, 2009.

The Company used a discounted cash flow model to estimate the fair value of these long-lived assets at March 31, 2009. Discount rate and growth rate assumptions are derived from current economic conditions, expectations of management and projected trends of current operating results. As a result, the Company has determined that the majority of the inputs used to value its long-lived assets held and used are unobservable inputs that fall within Level 3 of the fair value hierarchy.

4. Derivative Instruments and Hedging Activities

Effective January 1, 2009, the Company adopted SFAS No. 161 which requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about the fair value of and gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative instruments.

The Company is exposed to market risk from changes in interest rates on debt, changes in commodity prices and changes in foreign currency exchange rates.

The Company's exposure to interest rate fluctuations includes its borrowings under its senior secured credit facilities that bear interest at floating rates based on the Eurocurrency Rate or the Base Rate, in each case plus an applicable borrowing margin (see Note 8). The Company manages its interest rate risk by offsetting some of its variable-rate debt with fixed-rate debt, through normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The Company does not enter into financial instruments for trading or speculative purposes.

Many of the ingredients used in the products sold in the Company's restaurants are commodities that are subject to unpredictable price volatility. Although the Company attempts to minimize the effect of price volatility by negotiating fixed price contracts for the supply of key ingredients, there are no established fixed price markets for certain commodities such as produce and wild fish, and the Company is subject to prevailing market conditions when purchasing those types of commodities. Other commodities are purchased based upon negotiated price ranges established with vendors with reference to the fluctuating market prices. The Company attempts to offset the impact of fluctuating commodity prices with other strategic purchasing initiatives.

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4. Derivative Instruments and Hedging Activities (continued)

The Company's restaurants are dependent upon energy to operate and are impacted by changes in energy prices, including natural gas. The Company utilizes derivative instruments to mitigate some of its overall exposure to material increases in natural gas prices.

The Company's third party distributor charges the Company for the diesel fuel used to deliver inventory to the Company's restaurants. The Company enters into forward contracts to procure certain amounts of this diesel fuel at set prices in order to mitigate the Company's exposure to unpredictable fuel prices. The effects of this derivative instrument were immaterial to the Company's financial statements for all periods presented and have been excluded from the tables within this footnote.

The Company's exposure to foreign currency exchange fluctuations relates primarily to its direct investment in restaurants in South Korea, Japan, the Philippines and Brazil and to our royalties from international franchisees. The Company does not use financial instruments to hedge foreign currency exchange rate changes.

In addition to the market risks identified above, the Company is subject to business risk as its beef supply is highly dependent upon a limited number of vendors. In 2008, the Company purchased approximately 90% of its beef raw materials from four beef suppliers who represented 87% of the total beef marketplace in the United States.

Non-designated Hedges of Interest Rate Risk and Commodity Price Risk

The Company's objectives in using an interest rate derivative are to add stability to interest expense and to manage its exposure to interest rate movements. For the Company's variable-rate debt, interest rate changes generally impact its earnings and cash flows, assuming other factors are held constant. The Company uses an interest rate collar as part of its interest rate risk management strategy.

In September 2007, the Company entered into an interest rate collar with a notional amount of $1,000,000,000 as a method to limit the variability of its $1,310,000,000 variable-rate term loan. The collar consists of a LIBOR cap of 5.75% and a LIBOR floor of 2.99%. The collar's first variable-rate set date was December 31, 2007, and the option pairs expire at the end of each calendar quarter beginning March 31, 2008 and ending September 30, 2010. The quarterly expiration dates correspond to the scheduled amortization payments of the Company's term loan.

As of March 31, 2009, the Company's interest rate collar was a non-designated hedge of the Company's exposure to interest rate risk. The Company records marked-to-market changes in the fair value of the derivative instrument in earnings in the period of change in accordance with SFAS No. 133.

The Company's objective in using natural gas derivatives is to mitigate some of its overall exposure to material increases in natural gas prices. As of March 31, 2009, the Company had a notional volume of 272,800 MMBtus in unrealized natural gas swaps. These natural gas derivatives were a non-designated hedge, and the Company records marked-to-market changes in the fair value of these derivative instruments in earnings in the period of change in accordance with SFAS No. 133.

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4. Derivative Instruments and Hedging Activities (continued)

The following table presents the fair value of the Company's derivative financial instruments and their classification in its Consolidated Balance Sheets as of March 31, 2009 and December 31, 2008 (in thousands):

FAIR VALUES OF DERIVATIVE INSTRUMENTS

	ASSET DERIVATIVES				LIABILITY DERIVATIVES			
	MARCH 31, 2009		DECEMBER 31, 2008		MARCH 31, 2009		DECEMBER 31, 2008	
	BALANCE SHEET LOCATION	FAIR VALUE	BALANCE SHEET LOCATION	FAIR VALUE	BALANCE SHEET LOCATION	FAIR VALUE	BALANCE SHEET LOCATION	FAIR VALUE
Derivatives not designated as hedging instruments under SFAS No. 133								
Interest rate collar	Other current assets	$ -	Other current assets	$ -	Accrued expenses	$ 23,598	Accrued expenses	$ 24,285
Natural gas swaps	Other current assets	-	Other current assets	-	Accrued expenses	1,128	Accrued expenses	1,172
Total derivatives not designated as hedging instruments under SFAS No. 133		$ -		$ -		$ 24,726		$ 25,457

The following table presents the location and effects of the Company's derivative financial instruments on its Consolidated Statements of Operations for the three months ended March 31, 2009 and 2008 (in thousands):

DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS UNDER SFAS NO. 133	LOCATION OF GAIN OR (LOSS) RECOGNIZED IN INCOME ON DERIVATIVE	AMOUNT OF GAIN OR (LOSS) RECOGNIZED IN INCOME ON DERIVATIVE THREE MONTHS ENDED MARCH 31, 2009	2008
Interest rate collar	Interest expense	$ (3,154)	$ (10,856)
Natural gas swaps	Other restaurant operating	(586)	100
Total		$ (3,740)	$ (10,756)

Credit-risk-related Contingent Features

The Company's agreement with its derivative counterparty for the interest rate collar contains a provision in which the Company could be declared in default on its derivative obligation if repayment of the underlying indebtedness is accelerated by the lender due to the Company's default on the indebtedness.

As of March 31, 2009 and December 31, 2008, the fair value of the interest rate collar derivative related to this agreement, including accrued interest but excluding any adjustment for nonperformance risk, was in a net liability position of $26,586,000 and $28,857,000, respectively. As of March 31, 2009 and December 31, 2008, the Company was not required to post and did not post any collateral related to this agreement. If the Company breached the agreement's provision at March 31, 2009, it would be required to settle its obligation under the agreement at its termination value of $26,586,000.

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5. Other Current Assets

Other current assets consisted of the following (in thousands):

	MARCH 31, 2009	DECEMBER 31, 2008
Prepaid expenses	$ 28,103	$ 14,664
Accounts receivable	18,633	15,389
Accounts receivable - vendors	5,717	9,907
Accounts receivable - franchisees, net	4,303	4,476
Other current assets	17,858	17,387
	$ 74,614	$ 61,823

6. Property, Fixtures and Equipment, Net

During the three months ended March 31, 2009 and 2008, the Company recorded impairment charges and restaurant closing expense of $6,539,000 and $3,664,000, respectively, for certain of the Company's restaurants in the line item "Provision for impaired assets and restaurant closings" in its Consolidated Statement of Operations (see Note 3). These fixed asset impairment charges primarily occurred as a result of the carrying value of a restaurant's assets exceeding its estimated fair market value, generally due to anticipated closures or declining future cash flows from lower projected future sales on existing locations.

During the first quarter of 2009, the Company continued to market its Cheeseburger in Paradise concept for sale. As of March 31, 2009, it determined that its Cheeseburger in Paradise concept does not meet the assets held for sale criteria defined in SFAS No. 144. Subsequent to the end of the first quarter, the Company executed a letter of intent to sell its Cheeseburger in Paradise concept (see Note 15).

7. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	MARCH 31, 2009	DECEMBER 31, 2008
Accrued payroll and other compensation	$ 73,503	$ 66,057
Accrued insurance	23,494	19,480
Other accrued expenses	88,719	82,558
	$ 185,716	$ 168,095

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8. Long-term Debt

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

	MARCH 31, 2009		DECEMBER 31, 2008	
Senior secured term loan facility, interest rate of 2.69% at March 31, 2009 and 2.81% at December 31, 2008	$	1,181,725	$	1,185,000
Senior secured working capital revolving credit facility, interest rate of 2.75% at March 31, 2009 and 2.81% at December 31, 2008		50,000		50,000
Senior secured pre-funded revolving credit facility, interest rate of 4.50% at March 31, 2009 and 2.81% at December 31, 2008		12,000		12,000
Senior notes, interest rate of 10.00% at March 31, 2009 and December 31, 2008		248,075		488,220
Other notes payable, uncollateralized, interest rates ranging from 1.54% to 7.30% at March 31, 2009 and 2.28% to 7.30% at December 31, 2008		9,592		11,987
Sale-leaseback obligations		4,925		4,925
Guaranteed debt of consolidated affiliate		-		33,283
		1,506,317		1,785,415
Less: current portion of long-term debt of OSI Restaurant Partners, LLC		(30,258)		(30,953)
Less: guaranteed debt		-		(33,283)
Long-term debt of OSI Restaurant Partners, LLC	$	1,476,059	$	1,721,179

On June 14, 2007, in connection with the Merger, the Company entered into senior secured credit facilities with a syndicate of institutional lenders and financial institutions. These senior secured credit facilities provide for senior secured financing of up to $1,560,000,000, consisting of a $1,310,000,000 term loan facility, a $150,000,000 working capital revolving credit facility, including letter of credit and swing-line loan sub-facilities, and a $100,000,000 pre-funded revolving credit facility that provides financing for capital expenditures only.

The senior secured term loan facility matures June 14, 2014, and its proceeds were used to finance the Merger. At each rate adjustment, the Company has the option to select a Base Rate plus 125 basis points or a Eurocurrency Rate plus 225 basis points for the borrowings under this facility. The Base Rate option is the higher of the prime rate of Deutsche Bank AG New York Branch and the federal funds effective rate plus ½ of 1% ("Base Rate") (3.25% at March 31, 2009 and December 31, 2008, respectively). The Eurocurrency Rate option is the 30, 60, 90 or 180-day Eurocurrency Rate ("Eurocurrency Rate") (ranging from 0.50% to 1.74% and from 0.44% to 1.75% at March 31, 2009 and December 31, 2008, respectively). The Eurocurrency Rate may have a nine- or twelve-month interest period if agreed upon by the applicable lenders. With either the Base Rate or the Eurocurrency Rate, the interest rate is reduced by 25 basis points if the Company's Moody's Applicable Corporate Rating then most recently published is B1 or higher (the rating was Caa1 at March 31, 2009 and December 31, 2008, respectively).

The Company will be required to prepay outstanding term loans, subject to certain exceptions, with:

- § 50% of its “annual excess cash flow” (with step-downs to 25% and 0% based upon its rent-adjusted leverage ratio), as defined in the credit agreement and subject to certain exceptions;
- § 100% of its “annual minimum free cash flow,” as defined in the credit agreement, not to exceed $50,000,000 for the fiscal year ended December 31, 2007 or $75,000,000 for each subsequent fiscal year, if its rent-adjusted leverage ratio exceeds a certain minimum threshold;
- § 100% of the net proceeds of certain assets sales and insurance and condemnation events, subject to reinvestment rights and certain other exceptions; and
- § 100% of the net proceeds of any debt incurred, excluding permitted debt issuances.

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OSI Restaurant Partners, LLC
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8. Long-term Debt (continued)

Additionally, the Company will, on an annual basis, be required to (1) first, repay outstanding loans under the pre-funded revolving credit facility and (2) second, fund a capital expenditure account established on the closing date of the Merger to the extent amounts on deposit are less than $100,000,000, in both cases with 100% of the Company's "annual true cash flow," as defined in the credit agreement. In accordance with these requirements, in April 2009, the Company repaid its pre-funded revolving credit facility outstanding loan balance.

The Company's senior secured credit facilities require scheduled quarterly payments on the term loans equal to 0.25% of the original principal amount of the term loans for the first six years and three quarters following the closing of the Merger. These payments will be reduced by the application of any prepayments, and any remaining balance will be paid at maturity. The outstanding balance on the term loans was $1,181,725,000 and $1,185,000,000 at March 31, 2009 and December 31, 2008, respectively.

Proceeds of loans and letters of credit under the $150,000,000 working capital revolving credit facility provide financing for working capital and general corporate purposes and, subject to a rent-adjusted leverage condition, for capital expenditures for new restaurant growth. This revolving credit facility matures June 14, 2013 and bears interest at rates ranging from 100 to 150 basis points over the Base Rate or 200 to 250 basis points over the Eurocurrency Rate. At March 31, 2009 and December 31, 2008, the outstanding balance was $50,000,000. In addition to outstanding borrowings at March 31, 2009 and December 31, 2008, $69,435,000 and $63,300,000, respectively, of the credit facility was not available for borrowing as (i) $37,540,000 of the credit facility was committed for the issuance of letters of credit as required by insurance companies that underwrite the Company's workers' compensation insurance and also, where required, for construction of new restaurants, (ii) $24,500,000 of the credit facility was committed for the issuance of a letter of credit for the Company's guarantee of an uncollateralized line of credit for its joint venture partner, RY-8, Inc. ("RY-8"), in the development of Roy's restaurants (iii) $6,000,000 of the credit facility at March 31, 2009 was committed for the issuance of a letter of credit to the insurance company that underwrites our bonds for liquor licenses, utilities, liens and construction and (iv) $1,395,000 and $1,260,000, respectively, of the credit facility was committed for the issuance of other letters of credit. A maximum of $75,000,000 of letters of credit are permitted to be issued under the working capital revolving credit facility. Subsequent to the end of the first quarter of 2009, the Company committed an additional $1,311,000 of its working capital revolving credit facility for the issuance of letters of credit (see Note 15). Fees for the letters of credit range from 2.00% to 2.50% and the commitment fees for unused working capital revolving credit commitments range from 0.38% to 0.50%.

Proceeds of loans under the $100,000,000 pre-funded revolving credit facility are available to provide financing for capital expenditures once the Company fully utilizes $100,000,000 of restricted cash that was funded on the closing date of the Merger. At March 31, 2009 and December 31, 2008, the Company had fully utilized all of its restricted cash for capital expenditures, and it had borrowed $12,000,000 from its pre-funded revolving credit facility. This borrowing is recorded in "Current portion of long-term debt" in the Company's Consolidated Balance Sheets at March 31, 2009 and December 31, 2008, as the Company was required to repay this outstanding loan in April 2009 using its "annual true cash flow," as defined in the credit agreement. This facility matures June 14, 2013. At each rate adjustment, the Company has the option to select the Base Rate plus 125 basis points or a Eurocurrency Rate plus 225 basis points for the borrowings under this facility. In either case, the interest rate is reduced by 25 basis points if the Company's Moody's Applicable Corporate Rating then most recently published is B1 or higher.

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8. Long-term Debt (continued)

The Company's senior secured credit facilities require it to comply with certain financial covenants, including a quarterly Total Leverage Ratio ("TLR") test and an annual Minimum Free Cash Flow ("MFCF") test. The TLR is the ratio of Consolidated Total Debt to Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization as defined in the senior secured credit facilities) and may not exceed 6.00 to1.00. On an annual basis, if the Rent Adjusted Leverage Ratio is greater than or equal to 5.25 to1.00, the Company's MFCF cannot be less than $75,000,000. MFCF is calculated as Consolidated EBITDA plus decreases in Consolidated Working Capital less Consolidated Interest Expense, Capital Expenditures (except for that funded by the Company's senior secured pre-funded revolving credit facility), increases in Consolidated Working Capital and cash paid for taxes. (All of the above capitalized terms are as defined in the credit agreement). The Company's senior secured credit facilities agreement also includes negative covenants that, subject to significant exceptions, limit its ability and the ability of its restricted subsidiaries to: incur liens, make investments and loans, make capital expenditures (as described below), incur indebtedness or guarantees, engage in mergers, acquisitions and assets sales, declare dividends, make payments or redeem or repurchase equity interests, alter its business, engage in certain transactions with affiliates, enter into agreements limiting subsidiary distributions and prepay, redeem or purchase certain indebtedness. The Company's senior secured credit facilities contain customary representations and warranties, affirmative covenants and events of default.

The Company's capital expenditures are limited by the credit agreement. The annual capital expenditure limits range from $200,000,000 to $250,000,000 with various carry-forward and carry-back allowances. The Company's annual expenditure limits may increase after an acquisition. However, if (i) the Rent Adjusted Leverage Ratio at the end of a fiscal year is greater than 5.25 to 1.00, (ii) the "annual true cash flows" are insufficient to repay fully our pre-funded revolving credit facility and (iii) the capital expenditure account has a zero balance, its capital expenditures will be limited to $100,000,000 for the succeeding fiscal year. This limitation will remain until there are no pre-funded revolving credit facility loans outstanding and the amount on deposit in the capital expenditures account is greater than zero or until the Rent Adjusted Leverage Ratio is less than 5.25 to 1.00.

The obligations under the Company's senior secured credit facilities are guaranteed by each of its current and future domestic 100% owned restricted subsidiaries in its Outback Steakhouse, Carrabba's Italian Grill and Cheeseburger in Paradise concepts and certain non-restaurant subsidiaries (the "Guarantors") and by OSI HoldCo, Inc. ("OSI HoldCo"), the Company's direct owner and an indirect, wholly-owned subsidiary of the Company's Ultimate Parent. Subject to the conditions described below, the obligations are secured by a perfected security interest in substantially all of the Company's assets and assets of the Guarantors and OSI HoldCo, in each case, now owned or later acquired, including a pledge of all of the Company's capital stock, the capital stock of substantially all of the Company's domestic wholly-owned subsidiaries and 65% of the capital stock of certain of the Company's material foreign subsidiaries that are directly owned by the Company, OSI HoldCo, or a Guarantor. Also, the Company is required to provide additional guarantees of the senior secured credit facilities in the future from other domestic wholly-owned restricted subsidiaries if the consolidated EBITDA (earnings before interest, taxes, depreciation and amortization as defined in the senior secured credit facilities) attributable to the Company's non-guarantor domestic wholly-owned restricted subsidiaries as a group exceeds 10% of the Company's consolidated EBITDA as determined on a Company-wide basis. If this occurs, guarantees would be required from additional domestic wholly-owned restricted subsidiaries in such number that would be sufficient to lower the aggregate consolidated EBITDA of the non-guarantor domestic wholly-owned restricted subsidiaries as a group to an amount not in excess of 10% of the Company-wide consolidated

EBITDA.

On June 14, 2007, the Company issued senior notes in an original aggregate principal amount of $550,000,000 under an indenture among the Company, as issuer, OSI Co-Issuer, Inc., as co-issuer ("Co-Issuer"), Wells Fargo Bank, National Association, as trustee, and the Guarantors. Proceeds from the issuance of the senior notes were used to finance the Merger, and the senior notes mature on June 15, 2015. Interest is payable semiannually in arrears, at 10% per annum, in cash on each June 15 and December 15, commencing on December 15, 2007. Interest payments to the holders of record of the senior notes occur on the immediately preceding June 1 and December 1. Interest is computed on the basis of a 360-day year consisting of twelve 30-day months.

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OSI Restaurant Partners, LLC
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8. Long-term Debt (continued)

The senior notes are guaranteed on a senior unsecured basis by each restricted subsidiary that guarantees the senior secured credit facility (see Note 11). As of March 31, 2009 and December 31, 2008, all of the Company's consolidated subsidiaries were restricted subsidiaries. The senior notes are general, unsecured senior obligations of the Company, Co-Issuer and the Guarantors and are equal in right of payment to all existing and future senior indebtedness, including the senior secured credit facility. The senior notes are effectively subordinated to all of the Company's, Co-Issuer's and the Guarantors' secured indebtedness, including the senior secured credit facility, to the extent of the value of the assets securing such indebtedness. The senior notes are senior in right of payment to all of the Company's, Co-Issuer's and the Guarantors' existing and future subordinated indebtedness.

The indenture governing the senior notes limits, under certain circumstances, the Company's ability and the ability of Co-Issuer and the Company's restricted subsidiaries to: incur liens, make investments and loans, incur indebtedness or guarantees, engage in mergers, acquisitions and assets sales, declare dividends, make payments or redeem or repurchase equity interests, alter its business, engage in certain transactions with affiliates, enter into agreements limiting subsidiary distributions and prepay, redeem or purchase certain indebtedness.

In accordance with the terms of the senior notes and the senior secured credit facility, the Company's restricted subsidiaries are also subject to restrictive covenants. Under certain circumstances, the Company is permitted to designate subsidiaries as unrestricted subsidiaries, which would cause them not to be subject to the restrictive covenants of the indenture or the credit agreement. In April 2009, one of the Company's restricted subsidiaries that operated six restaurants in Canada was designated as an unrestricted subsidiary.

Additional senior notes may be issued under the indenture from time to time, subject to certain limitations. Initial and additional senior notes issued under the indenture will be treated as a single class for all purposes under the indenture, including waivers, amendments, redemptions and offers to purchase.

The Company filed a Registration Statement on Form S-4 (which became effective June 2, 2008) for an exchange offer relating to its senior notes. As a result, the Company is required to file reports under Section 15(d) of the Securities Exchange Act of 1934, as amended.

The Company may redeem some or all of the senior notes on and after June 15, 2011 at the redemption prices (expressed as percentages of principal amount of the senior notes to be redeemed) listed below, plus accrued and unpaid interest thereon and additional interest, if any, to the applicable redemption date.

Year	Percentage
2011	105.0%
2012	102.5%
2013 and thereafter	100.0%

The Company also may redeem all or part of the senior notes at any time prior to June 15, 2011, at a redemption price equal to 100% of the principal amount of the senior notes redeemed plus the applicable premium as of, and accrued and unpaid interest and additional interest, if any, to the date of redemption.

Upon a change in control as defined in the indenture, the Company would be required to make an offer to purchase all of the senior notes at a price in cash equal to 101% of the aggregate principal amount thereof plus accrued interest and unpaid interest and additional interest, if any, to the date of purchase.

Between November 18, 2008 and November 21, 2008, the Company purchased on the open market and extinguished $61,780,000 in aggregate principal amount of its senior notes for $11,711,000, representing an average of 19.0% of face value, and $2,729,000 of accrued interest.

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OSI Restaurant Partners, LLC
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8. Long-term Debt (continued)

On February 18, 2009, the Company commenced a cash tender offer to purchase the maximum aggregate principal amount of its senior notes that it could purchase for $73,000,000, excluding accrued interest. The tender offer was made upon the terms and subject to the conditions set forth in the Offer to Purchase dated February 18, 2009, as amended March 5 and March 20, 2009, and the related Letter of Transmittal. The tender offer expired on March 20, 2009, and the Company accepted for purchase $240,145,000 in principal amount of its senior notes. The Company paid $72,998,000 for the senior notes accepted for purchase and $6,671,000 of accrued interest. The Company recorded a gain from the extinguishment of its debt of $158,061,000 in the line item “Gain on extinguishment of debt” in its Consolidated Statement of Operations for the three months ended March 31, 2009. The gain was reduced by $6,117,000 for the pro rata portion of unamortized deferred financing fees that related to the extinguished senior notes and by $2,969,000 of fees related to the tender offer. The principal balance of senior notes outstanding at March 31, 2009 and December 31, 2008 was $248,075,000 and $488,220,000, respectively. The purpose of the tender offer was to reduce the principal amount of debt outstanding, reduce the related debt service obligations and improve the Company’s financial covenant position under its senior secured credit facilities.

The Company funded the tender offer with (i) cash on hand and (ii) proceeds from a contribution (the “Contribution”) of $47,000,000 from the Company’s direct owner, OSI HoldCo. The Contribution was funded through distributions to OSI HoldCo by one of its subsidiaries that owns (indirectly through subsidiaries) approximately 340 restaurant properties that are sub-leased to the Company.

DEBT GUARANTEE

The Company was the guarantor of an uncollateralized line of credit that matured December 31, 2008 and permitted borrowing of up to $35,000,000 by a limited liability company, T-Bird Nevada, LLC (“T-Bird”), which is owned by the principal of each of the Company’s California franchisees of Outback Steakhouse restaurants. The line of credit bore interest at rates ranging from 50 to 90 basis points over LIBOR. The Company was required to consolidate T-Bird effective January 1, 2004 upon adoption of revised FASB Interpretation No. 46, “Consolidation of Variable Interest Entities” (“FIN 46R”). At December 31, 2008, the outstanding balance on the line of credit was approximately $33,283,000 and was included in the Company’s Consolidated Balance Sheet. T-Bird used proceeds from the line of credit for loans to its affiliates (“T-Bird Loans”) that serve as general partners of 42 franchisee limited partnerships, which currently own and operate 41 Outback Steakhouse restaurants. The funds were ultimately used for the purchase of real estate and construction of buildings to be opened as Outback Steakhouse restaurants and leased to the franchisees’ limited partnerships. According to the terms of the line of credit, T-Bird was able to borrow, repay, re-borrow or prepay advances at any time before the termination date of the agreement.

On January 12, 2009, the Company received notice that an event of default had occurred in connection with the line of credit because T-Bird failed to pay the outstanding balance of $33,283,000 due on the maturity date. On February 17, 2009, the Company terminated its guarantee obligation by purchasing the note and all related rights from the lender for $33,311,000, which included the principal balance due on maturity and accrued and unpaid interest. In anticipation of receiving a notice of default subsequent to the end of the year, the Company recorded a $33,150,000 allowance for the T-Bird Loan receivables during the fourth quarter of 2008. Since T-Bird defaulted on its line of credit, the Company has the right to call into default all of its franchise agreements in California and exercise any rights and remedies under those agreements as well as the right to recourse under loans T-Bird has made to individual corporations in California which own the land and/or building that is leased to those franchise locations. Therefore, on February 19, 2009, the Company filed suit against T-Bird and its affiliates in Florida state court seeking, among other remedies, to enforce the note and collect on the T-Bird Loans. On February 20, 2009, T-Bird and certain of its affiliates filed suit against the Company and certain of its officers and affiliates (see Note 12).

As a result of these lawsuits, the Company had to make certain assumptions and estimates in its consolidation of T-Bird at and for the three months ended March 31, 2009, as T-Bird did not provide the Company with financial statements for the first quarter of 2009. The Company is not aware of any events or transactions for T-Bird that are not reflected in the Company's consolidated financial statements at and for the three months ended March 31, 2009 that would materially affect these financial statements.

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OSI Restaurant Partners, LLC
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9. Comprehensive Income (Loss) and Foreign Currency Translation and Transactions

Comprehensive income (loss) includes net income (loss) and foreign currency translation adjustments. Total comprehensive income (loss) for the three months ended March 31, 2009 and 2008 was $79,813,000, and ($12,667,000), respectively, which included the effect of losses from translation adjustments of approximately ($3,599,000) and ($3,829,000), respectively.

Accumulated other comprehensive loss contained only foreign currency translation adjustments as of March 31, 2009 and December 31, 2008.

Foreign currency transaction gains and losses are recorded in “Other expense, net” in the Company’s Consolidated Statement of Operations and included a net loss of $5,660,000 for the three months ended March 31, 2009.

10. Income Taxes

As of March 31, 2009 and December 31, 2008, the Company had $16,465,000 and $16,537,000, respectively, of unrecognized tax benefits ($10,340,000 and $10,412,000, respectively, in “Other long-term liabilities” and $6,125,000 and $6,125,000, respectively, in “Accrued expenses”). Of these amounts, $14,800,000 and $14,710,000, respectively, if recognized, would impact the Company’s effective tax rate. The difference between the total amount of unrecognized tax benefits and the amount that would impact the effective tax rate consists of items that are offset by deferred income tax assets and the federal tax benefit of state income tax items.

In many cases, the Company’s uncertain tax positions are related to tax years that remain subject to examination by the relevant taxable authorities. Based on the outcome of these examinations, or as a result of the expiration of the statute of limitations for specific jurisdictions, it is reasonably possible that the related recorded unrecognized tax benefits for tax positions taken on previously filed tax returns will significantly decrease by approximately $6,700,000 to $7,400,000 within the next twelve months of March 31, 2009.

The Company is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2005 through 2008. The Company and its subsidiaries’ state income tax returns and foreign income tax returns also are open to audit under the statute of limitations for the years ended December 31, 1999 through 2008.

As of March 31, 2009 and December 31, 2008, the Company accrued $5,440,000 and $5,162,000, respectively, of interest and penalties related to uncertain tax positions. The Company accounts for interest and penalties related to uncertain tax positions as part of its Provision (benefit) for income taxes. The Company’s policy on classification of interest and penalties did not change as a result of the adoption of FIN 48, and it has not changed since the adoption of FIN 48.

The effective income tax rate for the three months ended March 31, 2009 was 34.0% compared to 65.4% for the three months ended March 31, 2008. The effective income tax rate for the three months ended March 31, 2008 was significantly higher than the combined federal and state statutory rate of 39.6% due to the benefit of the expected tax credit for excess FICA tax on employee-reported tips being such a large percentage of projected annual pretax loss. The net decrease of 31.4% in the effective income tax rate during the three months ended March 31, 2009 from the rate in the same period in 2008 was primarily due to the $158,061,000 gain on extinguishment of debt realized during the first quarter of 2009. The tax related to this gain has been computed at the combined federal and state statutory rate of 38.9% and recorded as a discrete item for the three months ended March 31, 2009. As result of recording the gain, the expected benefit of the tax credit for excess FICA tax on tips is a significantly smaller percentage of pretax income for the three months ended March 31, 2009 as compared to the expected tax credit benefit as a percentage of the pretax loss for the same period in 2008.

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OSI Restaurant Partners, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

11. Supplemental Guarantor Condensed Consolidating Financial Statements

The Company's senior notes, in an aggregate principal amount of $248,075,000, are jointly and severally, fully and unconditionally guaranteed on a senior unsecured basis by the Guarantors, or each of its current and future domestic 100% owned restricted subsidiaries in its Outback Steakhouse, Carrabba's Italian Grill and Cheeseburger in Paradise concepts and certain non-restaurant subsidiaries (see Note 8). All other concepts and certain non-restaurant subsidiaries of the Company do not guarantee the senior notes ("Non-Guarantors").

The following condensed consolidating financial statements present the financial position, results of operations and cash flows for the periods indicated of OSI Restaurant Partners, LLC - Parent only ("OSI Parent"), OSI Co-Issuer, which is a wholly-owned subsidiary and exists solely for the purpose of serving as a co-issuer of the senior notes, the Guarantors, the Non-Guarantors and the elimination entries necessary to consolidate the Company. Investments in subsidiaries are accounted for using the equity method for purposes of the consolidated presentation. The principal elimination entries relate to senior notes presented as an obligation of both OSI Parent and OSI Co-Issuer, investments in subsidiaries, and intercompany balances and transactions.

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF MARCH 31, 2009

	OSI Parent	OSI Co-Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS						
Current Assets						
Cash and cash equivalents	$ 69,689	$ -	$ 25,672	$ 27,727	$ -	$ 123,088
Current portion of restricted cash	106	-	2,767	-	-	2,873
Inventories	21,907	-	30,469	16,933	-	69,309
Deferred income tax assets	37,759	-	1,392	(45)	-	39,106
Other current assets	22,802	-	25,325	26,487	-	74,614
Total current assets	152,263	-	85,625	71,102	-	308,990
Restricted cash	184	-	-	-	-	184
Property, fixtures and equipment, net	25,887	-	626,949	376,476	-	1,029,312
Investments in and advances to unconsolidated affiliates, net	1,078	-	-	19,993	-	21,071
Investments in subsidiaries	-	-	1,727	-	(1,727)	-
Due from (to) subsidiaries	2,357,391	-	170,546	202,322	(2,730,259)	-
Goodwill	-	-	340,608	119,192	-	459,800
Intangible assets, net	-	-	483,420	163,727	-	647,147
Other assets, net	111,483	-	21,504	41,373	-	174,360
Total assets	$ 2,648,286	$ -	$ 1,730,379	$ 994,185	$ (2,731,986)	$ 2,640,864

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OSI Restaurant Partners, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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11. Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF MARCH 31, 2009

	OSI Parent	OSI Co-Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
LIABILITIES AND (DEFICIT)						
EQUITY						
Current Liabilities						
Accounts payable	$ 2,867	$ -	$ 63,654	$ 36,645	$ -	$ 103,166
Sales taxes payable	-	-	10,778	4,082	-	14,860
Accrued expenses	78,528	-	79,444	27,744	-	185,716
Current portion of accrued buyout liability	-	-	12,654	5,055	-	17,709
Unearned revenue	244	-	109,870	30,111	-	140,225
Income taxes payable	-	-	-	729	-	729
Current portion of long-term debt	25,105	-	3,454	1,699	-	30,258
Total current liabilities	106,744	-	279,854	106,065	-	492,663
Partner deposit and accrued buyout liability	221	-	79,387	27,843	-	107,451
Deferred rent	851	-	34,958	20,156	-	55,965
Deferred income tax liability	102,514	-	147,427	(5,494)	-	244,447
Long-term debt	1,466,720	248,075	7,840	1,499	(248,075)	1,476,059
Accumulated losses in subsidiaries in excess of investment	628,041	-	-	1,933	(629,974)	-
Due to (from) subsidiaries	199,510	-	1,252,311	1,278,439	(2,730,260)	-
Other long-term liabilities, net	178,965	-	71,077	23,740	-	273,782
Total liabilities	2,683,566	248,075	1,872,854	1,454,181	(3,608,309)	2,650,367
(Deficit) Equity						
OSI Restaurant Partners, LLC						
Unitholder’s (Deficit) Equity						
Additional paid-in capital	699,769	(248,075)	-	-	248,075	699,769
(Accumulated deficit) retained earnings	(706,593)	-	(142,475)	(457,317)	599,792	(706,593)
Accumulated other comprehensive (loss) income	(28,456)	-	-	(28,456)	28,456	(28,456)

Total OSI Restaurant Partners, LLC unitholder's (deficit) equity	(35,280)	(248,075)	(142,475)	(485,773)	876,323	(35,280)
Noncontrolling interest	-	-	-	25,777	-	25,777
Total (deficit) equity	(35,280)	(248,075)	(142,475)	(459,996)	876,323	(9,503)
	$ 2,648,286	$ -	$ 1,730,379	$ 994,185	$ (2,731,986)	$ 2,640,864

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OSI Restaurant Partners, LLC
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11. Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2008

	OSI Parent	OSI Co-Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS						
Current Assets						
Cash and cash equivalents	$ 178,275	$ -	$ 50,126	$ 43,069	$ -	$ 271,470
Current portion of restricted cash	2,578	-	3,297	-	-	5,875
Inventories	36,343	-	30,523	17,702	-	84,568
Deferred income tax assets	34,309	-	1,370	(45)	-	35,634
Other current assets	12,228	-	24,483	25,112	-	61,823
Total current assets	263,733	-	109,799	85,838	-	459,370
Restricted cash	7	-	-	-	-	7
Property, fixtures and equipment, net	26,560	-	660,490	386,449	-	1,073,499
Investments in and advances to unconsolidated affiliates, net	145	-	-	20,177	-	20,322
Investments in subsidiaries	-	-	1,611	-	(1,611)	-
Due from (to) subsidiaries	2,333,806	-	-	20	(2,333,826)	-
Goodwill	-	-	340,608	119,192	-	459,800
Intangible assets, net	-	-	484,572	165,859	-	650,431
Other assets, net	127,647	-	23,040	43,779	-	194,466
Total assets	$ 2,751,898	$ -	$ 1,620,120	$ 821,314	$ (2,335,437)	$ 2,857,895

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OSI Restaurant Partners, LLC
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11. Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2008

	OSI Parent	OSI Co-Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
LIABILITIES AND (DEFICIT) EQUITY						
Current Liabilities						
Accounts payable	$ 11,119	$ -	$ 114,757	$ 58,876	$ -	$ 184,752
Sales taxes payable	93	-	11,293	4,725	-	16,111
Accrued expenses	69,854	-	71,863	26,378	-	168,095
Current portion of accrued buyout liability	-	-	12,948	4,280	-	17,228
Unearned revenue	192	-	171,105	41,380	-	212,677
Income taxes payable	-	-	-	799	-	799
Current portion of long-term debt	25,106	-	4,008	1,839	-	30,953
Current portion of guaranteed debt	-	-	-	33,283	-	33,283
Total current liabilities	106,364	-	385,974	171,560	-	663,898
Partner deposit and accrued buyout liability	221	-	79,598	27,324	-	107,143
Deferred rent	841	-	32,056	17,959	-	50,856
Deferred income tax liability	58,293	-	147,421	(5,730)	-	199,984
Long-term debt	1,710,140	488,220	9,405	1,634	(488,220)	1,721,179
Accumulated losses in subsidiaries in excess of investment	659,249	-	-	1,772	(661,021)	-
Due to (from) subsidiaries	228,495	-	1,070,286	1,035,045	(2,333,826)	-
Other long-term liabilities, net	151,049	-	72,307	27,526	-	250,882
Total liabilities	2,914,652	488,220	1,797,047	1,277,090	(3,483,067)	2,993,942
(Deficit) Equity						
OSI Restaurant Partners, LLC						
Unitholder's (Deficit) Equity						
Additional paid-in capital	651,043	(488,220)	-	-	488,220	651,043
(Accumulated deficit) retained earnings	(788,940)	-	(176,927)	(457,626)	634,553	(788,940)
Accumulated other comprehensive						

(loss) income	(24,857)	-	-	(24,857)	24,857	(24,857)
Total OSI Restaurant Partners, LLC unitholder's (deficit) equity	(162,754)	(488,220)	(176,927)	(482,483)	1,147,630	(162,754)
Noncontrolling interest	-	-	-	26,707	-	26,707
Total (deficit) equity	(162,754)	(488,220)	(176,927)	(455,776)	1,147,630	(136,047)
	$ 2,751,898	$ -	$ 1,620,120	$ 821,314	$ (2,335,437)	$ 2,857,895

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OSI Restaurant Partners, LLC
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11. Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2009

	OSI Parent	OSI Co-Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues						
Restaurant sales	$ -	$ -	$ 705,640	$ 253,439	$ -	$ 959,079
Other revenues	43	-	2,960	2,312	-	5,315
Total revenues	43	-	708,600	255,751	-	964,394
Costs and expenses						
Cost of sales	-	-	239,782	81,557	-	321,339
Labor and other related	4,120	-	194,698	70,753	-	269,571
Other restaurant operating	102	-	172,346	64,301	-	236,749
Depreciation and amortization	273	-	31,037	15,062	-	46,372
General and administrative	14,145	-	29,841	14,497	-	58,483
Loss on contingent debt guarantee	24,500	-	-	-	-	24,500
Provision for impaired assets and restaurant closings	(10)	-	4,983	2,163	-	7,136
Loss (income) from operations of unconsolidated affiliates	145	-	-	(617)	-	(472)
Total costs and expenses	43,275	-	672,687	247,716	-	963,678
(Loss) income from operations	(43,232)	-	35,913	8,035	-	716
Equity in earnings (losses) of subsidiaries	34,806	-	116	(161)	(34,761)	-
Gain on extinguishment of debt	158,061	-	-	-	-	158,061
Other expense, net	-	-	-	(5,660)	-	(5,660)
Interest income	1,327	-	408	721	(2,261)	195
Interest expense	(26,798)	-	(1,840)	(633)	2,261	(27,010)
Income (loss) before provision for income taxes	124,164	-	34,597	2,302	(34,761)	126,302
Provision for income taxes	41,817	-	146	927	-	42,890
Net income (loss)	82,347	-	34,451	1,375	(34,761)	83,412
Less: net income attributable to noncontrolling interest	-	-	-	1,065	-	1,065
Net income (loss) attributable to OSI Restaurant Partners, LLC	$ 82,347	$ -	$ 34,451	$ 310	$ (34,761)	$ 82,347

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OSI Restaurant Partners, LLC
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(UNAUDITED)

11. Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2008

	OSI Parent	OSI Co-Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues						
Restaurant sales	$ -	$ -	$ 773,226	$ 291,075	$ -	$ 1,064,301
Other revenues	-	-	3,112	2,069	-	5,181
Total revenues	-	-	776,338	293,144	-	1,069,482
Costs and expenses						
Cost of sales	-	-	275,500	97,380	-	372,880
Labor and other related	(2,412)	-	214,648	82,265	-	294,501
Other restaurant operating	-	-	184,472	74,146	-	258,618
Depreciation and amortization	702	-	30,016	16,333	-	47,051
General and administrative	14,881	-	35,876	21,417	-	72,174
Provision for impaired assets and restaurant closings	-	-	3,992	(328)	-	3,664
Loss (income) from operations of unconsolidated affiliates	793	-	-	(1,670)	-	(877)
Total costs and expenses	13,964	-	744,504	289,543	-	1,048,011
(Loss) income from operations	(13,964)	-	31,834	3,601	-	21,471
Equity in earnings (losses) of subsidiaries	31,603	-	335	(301)	(31,637)	-
Other (expense) income, net	-	-	(19)	19	-	-
Interest income	2,401	-	579	1,034	(3,227)	787
Interest expense	(47,455)	-	(2,567)	(1,032)	3,227	(47,827)
(Loss) income before (benefit) provision for income taxes	(27,415)	-	30,162	3,321	(31,637)	(25,569)
(Benefit) provision for income taxes	(17,718)	-	395	592	-	(16,731)
Net (loss) income	(9,697)	-	29,767	2,729	(31,637)	(8,838)
Less: net income attributable to noncontrolling interest	-	-	-	859	-	859
Net (loss) income attributable to OSI Restaurant Partners, LLC	$ (9,697)	$ -	$ 29,767	$ 1,870	$ (31,637)	$ (9,697)

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OSI Restaurant Partners, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

11. Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2009

	OSI Parent	OSI Co-Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Cash flows from operating activities:						
Net cash (used in) provided by operating activities	$ (77,992)	$ -	$ (20,768)	$ 32,282	$ -	$ (66,478)
Cash flows provided by (used in) investing activities:						
Purchase of Company-owned life insurance	(261)	-	-	-	-	(261)
Proceeds from sale of Company-owned life insurance for deferred compensation	203	-	-	-	-	203
Acquisitions of liquor licenses	-	-	-	(19)	-	(19)
Capital expenditures	(591)	-	(2,856)	(11,744)	-	(15,191)
Proceeds from the sale of property, fixtures and equipment	-	-	961	-	-	961
Restricted cash received for capital expenditures, property taxes and certain deferred compensation plans	2,677	-	2,920	-	-	5,597
Restricted cash used to fund capital expenditures, property taxes and certain deferred compensation plans	(380)	-	(2,388)	-	-	(2,768)
Net cash provided by (used in) investing activities	1,648	-	(1,363)	(11,763)	-	(11,478)
Cash flows used in financing activities:						
Repayments of long-term debt	(3,275)	-	(2,144)	(532)	-	(5,951)
	(75,967)	-	-	-	-	(75,967)

Extinguishment of senior notes											
Purchase of note related to guaranteed											
debt for consolidated affiliate		-		-		-		(33,283)		-	(33,283)
Contribution from OSI HoldCo, Inc.		47,000		-		-		-		-	47,000
Contributions from noncontrolling											
interest		-		-		-		322		-	322
Distributions to noncontrolling interest		-		-		-		(2,317)		-	(2,317)
Repayment of partner deposit and											
accrued buyout contributions		-		-		(809)		(496)		-	(1,305)
Receipt of partner deposit and											
accrued buyout contributions		-		-		630		445		-	1,075
Net cash used in											
financing activities		(32,242)		-		(2,323)		(35,861)		-	(70,426)
Net decrease in cash											
and cash equivalents		(108,586)		-		(24,454)		(15,342)		-	(148,382)
Cash and cash equivalents at the											
beginning of the period		178,275		-		50,126		43,069		-	271,470
Cash and cash equivalents at the											
end of the period	$	69,689	$	-	$	25,672	$	27,727	$	-	$ 123,088

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OSI Restaurant Partners, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

11. Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2008

	OSI Parent	OSI Co-Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Cash flows from operating activities:						
Net cash provided by (used in)						
operating activities	$ 15,926	$ -	$ (70,214)	$ (11,015)	$ 61,463	$ (3,840)
Cash flows used in investing activities:						
Acquisitions of liquor licenses	-	-	-	(498)	-	(498)
Capital expenditures	(1,017)	-	(13,404)	(16,514)	-	(30,935)
Restricted cash received for capital						
expenditures, property taxes and						
certain deferred compensation plans	660	-	3,065	-	-	3,725
Restricted cash used to fund capital						
expenditures, property taxes and						
certain deferred compensation plans	(161)	-	(2,183)	-	-	(2,344)
Distributions from unconsolidated						
affiliates	13	-	-	795	-	808
Net cash used in investing activities	(505)	-	(12,522)	(16,217)	-	(29,244)
Cash flows used in financing activities:						
Proceeds from issuance of long-term debt	-	-	-	29	-	29
Repayments of long-term debt	(3,275)	-	(702)	(193)	-	(4,170)
Contributions from noncontrolling						
interest	-	-	-	375	-	375
	-	-	-	(1,340)	-	(1,340)

Distributions to noncontrolling interest						
Repayment of partner deposit and accrued buyout contributions	-	-	(2,239)	(457)	-	(2,696)
Receipt of partner deposit and accrued buyout contributions	-	-	1,156	1,180	-	2,336
Net cash used in financing activities	(3,275)	-	(1,785)	(406)	-	(5,466)
Net increase (decrease) in cash and cash equivalents	12,146	-	(84,521)	(27,638)	61,463	(38,550)
Cash and cash equivalents at the beginning of the period	-	-	148,005	84,562	(61,463)	171,104
Cash and cash equivalents at the end of the period	$ 12,146	$ -	$ 63,484	$ 56,924	$ -	$ 132,554

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OSI Restaurant Partners, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

12. Commitments and Contingencies

The consolidated financial statements include the accounts and operations of the Roy’s consolidated venture in which the Company has a less than majority ownership. The Company consolidates this venture because it controls the executive committee (which functions as a board of directors) through representation on the board by related parties, and it is able to direct or cause the direction of management and operations on a day-to-day basis. Additionally, the majority of capital contributions made by the Company’s partner in the Roy’s consolidated venture have been funded by loans to the partner from a third party where the Company provides a guarantee. The guarantee provides the Company control through its collateral interest in the joint venture partner’s membership interest. As a result of the Company’s controlling financial interest in this venture, it is included in the Company’s consolidated financial statements. The portion of income or loss attributable to the noncontrolling interest is eliminated in the line item in the Consolidated Statements of Operations entitled “Net income attributable to the noncontrolling interest.” All material intercompany balances and transactions have been eliminated.

The Company is the guarantor of an uncollateralized line of credit that permits borrowing of up to a maximum of $24,500,000 for its joint venture partner, RY-8, in the development of Roy's restaurants. The line of credit originally expired in December 2004 and was amended for a fourth time on April 1, 2009 to a revised termination date of April 15, 2013. According to the terms of the credit agreement, RY-8 may borrow, repay, re-borrow or prepay advances at any time before the termination date of the agreement. On the termination date of the agreement, the entire outstanding principal amount of the loan then outstanding and any accrued interest is due. At March 31, 2009 and December 31, 2008, the outstanding balance on the line of credit was $24,500,000.

RY-8’s obligations under the line of credit are unconditionally guaranteed by the Company and Roy’s Holdings, Inc. (“RHI”). If an event of default occurs, as defined in the agreement, then the total outstanding balance, including any accrued interest, is immediately due from the guarantors. As of March 31, 2009, the Company has made interest payments, paid line of credit renewal fees and has made capital expenditures for additional restaurant development on behalf of RY-8 totaling approximately $4,622,000 because the joint venture partner’s $24,500,000 line of credit was fully extended. Additional payments on behalf of RY-8 for these items may be required in the future. The Company recorded a long-term contingent obligation and a loss from this guarantee of $24,500,000 in its consolidated financial statements at and for the three months ended March 31, 2009. At March 31, 2009 and December 31, 2008, $24,500,000 of the Company’s $150,000,000 working capital revolving credit facility was committed for the issuance of a letter of credit for this guarantee.

If an event of default occurs and RY-8 is unable to pay the outstanding balance owed, the Company would, as guarantor, be liable for this balance. However, in conjunction with the credit agreement, RY-8 and RHI have entered into an Indemnity Agreement and a Pledge of Interest and Security Agreement in the Company’s favor. These agreements provide that if the Company is required to perform its obligation as guarantor pursuant to the credit agreement, then RY-8 and RHI will indemnify it against all losses, claims, damages or liabilities which arise out of or are based upon its guarantee of the credit agreement. RY-8’s and RHI’s obligations under these agreements are collateralized by a first priority lien upon and a continuing security interest in any and all of RY-8’s interests in the joint venture.

Pursuant to the Company’s joint venture agreement for the development of Roy’s restaurants, RY-8, its joint venture partner, has the right to require the Company to purchase up to 25% of RY-8’s interests in the joint venture at any time after June 17, 2004 and up to another 25% (total 50%) of its interests in the joint venture at any time after June 17, 2009. The purchase price to be paid by the Company would be equal to the fair market value of the joint venture as of the date that RY-8 exercised its put option multiplied by the percentage purchased.

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OSI Restaurant Partners, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

12. Commitments and Contingencies (continued)

The Company's Korean subsidiary is the guarantor of debt owed by landlords of two of the Company's Outback Steakhouse restaurants in Korea. The Company is obligated to purchase the building units occupied by its two restaurants in the event of default by the landlords on their debt obligations, which were approximately $1,000,000 and $1,100,000 as of March 31, 2009 and approximately $1,100,000 and $1,200,000 as of December 31, 2008. Under the terms of the guarantees, the Company's monthly rent payments are deposited with the lender to pay the landlords' interest payments on the outstanding balances. The guarantees are in effect until the earlier of the date the principal is repaid or the entire lease term of ten years for both restaurants, which expire in 2014 and 2016. The guarantees specify that upon default the purchase price would be a maximum of 130% of the landlord's outstanding debt for one restaurant and the estimated legal auction price for the other restaurant, approximately $1,300,000 and $1,600,000, respectively, as of March 31, 2009 and approximately $1,400,000 and $1,700,000, respectively, as of December 31, 2008. If the Company was required to perform under either guarantee, it would obtain full title to the corresponding building unit and could liquidate the property, each having an estimated fair value of approximately $2,100,000 and $1,900,000, respectively, as of March 31, 2009 and approximately $2,300,000 and $2,100,000, respectively, as of December 31, 2008. The Company has considered these guarantees and accounted for them in accordance with FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). The Company has various depository and banking relationships with the lender.

The Company is subject to legal proceedings, claims and liabilities, such as liquor liability, sexual harassment and slip and fall cases, which arise in the ordinary course of business and are generally covered by insurance. In the opinion of management, the amount of ultimate liability with respect to those actions will not have a materially adverse impact on the Company's financial position or results of operations and cash flows. In addition, the Company is subject to the following legal proceedings and actions, which depending on the outcomes that are uncertain at this time, could have a material adverse effect on the Company's financial condition.

Outback Steakhouse of Florida, Inc. and OS Restaurant Services, Inc. are the defendants in a class action lawsuit brought by the U.S. Equal Employment Opportunity Commission (EEOC v. Outback Steakhouse of Florida, Inc. and OS Restaurant Services, Inc., U.S. District Court, District of Colorado, filed September 28, 2006) alleging that they have engaged in a pattern or practice of discrimination against women on the basis of their gender with respect to hiring and promoting into management positions as well as discrimination against women in terms and condition of their employment and seeks damages and injunctive relief. In addition to the EEOC, two former employees have successfully intervened as party plaintiffs in the case. On November 3, 2007, the EEOC's nationwide claim of gender discrimination was dismissed and the scope of the suit was limited to the states of Colorado, Wyoming and Montana. However, the Company expects the EEOC to pursue claims of gender discrimination against the Company on a nationwide basis through other proceedings. Litigation is, by its nature, uncertain both as to time and expense involved and as to the final outcome of such matters. While the Company intends to vigorously defend itself in this lawsuit, protracted litigation or unfavorable resolution of this lawsuit could have a material adverse effect on the Company's business, results of operations or financial condition and could damage the Company's reputation with its employees and its customers.

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OSI Restaurant Partners, LLC
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12. Commitments and Contingencies (continued)

On February 21, 2008, a purported class action complaint captioned Ervin, et al. v. OS Restaurant Services, Inc. was filed in the U.S. District Court, Northern District of Illinois. This lawsuit alleges violations of state and federal wage and hour law in connection with tipped employees and overtime compensation and seeks relief in the form of unspecified back pay and attorney fees. It alleges a class action under state law and a collective action under federal law. While the Company intends to vigorously defend itself, it is not possible at this time to reasonably estimate the possible loss or range of loss, if any.

In March 2008, one of the Company's subsidiaries received a notice of proposed assessment of employment taxes from the Internal Revenue Service ("IRS") for calendar years 2004 through 2006. The IRS asserts that certain cash distributions paid to the Company's general manager partners, chef partners, and area operating partners who hold partnership interests in limited partnerships with Company affiliates should have been treated as wages and subjected to employment taxes. The Company believes that it has complied and continues to comply with the law pertaining to the proper federal tax treatment of partner distributions. In May 2008, the Company filed a protest of the proposed employment tax assessment. Because the Company is at a preliminary stage of the administrative process for resolving disputes with the IRS, it cannot, at this time, reasonably estimate the amount, if any, of additional employment taxes or other interest, penalties or additions to tax that would ultimately be assessed at the conclusion of this process. If the IRS examiner's position were to be sustained, the additional employment taxes and other amounts that would be assessed would be material.

On December 29, 2008, American Restaurants, Inc. ("AR") filed a Petition with the United States District Court for the Southern District of Florida, captioned American Restaurants, Inc. v. Outback Steakhouse Int'l, L.P., seeking confirmation of a purported November 26, 2008 arbitration award against Outback Steakhouse International, L.P. ("Outback International"), the Company's indirect wholly-owned subsidiary, in the amount of $97,997,450, plus interest from August 7, 2006. The dispute that led to the purported award involved Outback International's alleged wrongful termination in 1998 of a Restaurant Franchise Agreement (the "Agreement") entered into in 1996 concerning one restaurant in Argentina. On February 20, 2009, Outback International filed its Opposition to AR's Petition.

Outback International believes that the purported arbitration award resulted from a process that materially violated the terms of the Agreement, and that the arbitrator who issued the purported award violated Outback International's rights to due process. Outback International intends to contest vigorously the validity and enforceability of the purported arbitration award in the courts of both the United States and Argentina.

On December 9, 2008, in accordance with the procedure provided under Argentine law, Outback International filed with the arbitrator a motion seeking leave to file an appeal to nullify the purported award. On February 27, 2009, the arbitrator denied Outback International's motion. On March 16, 2009, Outback International filed a direct appeal with the Argentine Commercial Court of Appeals challenging the arbitrator's decision to deny Outback International's request to file an appeal. Outback International has requested that the court declare that enforcement of the award is suspended during the pendency of the appeal.

Based in part on legal opinions Outback International has received from Argentine counsel, the Company does not expect the arbitration award or the petition seeking its confirmation to have a material adverse effect on its results of operations, financial condition or cash flows. However, litigation is inherently uncertain and the ultimate resolution of this matter cannot be guaranteed.

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OSI Restaurant Partners, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

12. Commitments and Contingencies (continued)

On February 19, 2009, the Company filed an action against T-Bird Nevada, LLC and its affiliates. T-Bird is a limited liability company that is owned by the principal of the franchisee of each of the California Outback Steakhouse restaurants. The action seeks payment on a promissory note made by T-Bird that the Company purchased from T-Bird's former lender. The principal balance on the promissory note, plus accrued and unpaid interest, is approximately $33,000,000. The action seeks, among other remedies, to enforce the note (see Note 8).

On February 20, 2009, T-Bird and certain of its affiliates filed suit against the Company and certain of its officers and affiliates. The suit claims, among other things, that the Company made various misrepresentations and breached certain oral promises allegedly made by the Company and certain of its officers to T-Bird and its affiliates that the Company would acquire the restaurants owned by T-Bird and its affiliates and until that time the Company would maintain financing for the restaurants that would be nonrecourse to T-Bird and its affiliates. The complaint seeks damages in excess of $100,000,000, exemplary or punitive damages, and other remedies. The Company and the other defendants believe the suit is without merit, and they intend to defend the suit vigorously (see Note 8).

13. Related Parties

In connection with the Merger, the Company caused its wholly-owned subsidiaries to sell substantially all of the Company's domestic restaurant properties to its sister company, PRP, for approximately $987,700,000. PRP then leased the properties to Private Restaurant Master Lessee, LLC, the Company's wholly-owned subsidiary, under a master lease. The master lease is a triple net lease with a 15-year term. This sale-leaseback transaction resulted in operating leases for the Company. Under the master lease, the Company has the right to request termination of a lease if it determines that the related location is unsuitable for its intended use. Rental payments continue as scheduled until consummation of sale occurs for the property. Once a sale occurs, the Company must make up the differential, if one exists, between the sale price and 90% of the original purchase price (the "Release Amount"), as set forth in the master lease. The Company is also responsible for paying PRP an amount equal to the then present value, using a five percent discount rate, of the excess, if any, of the scheduled rent payments for the remainder of the 15-year term over the then fair market rental for the remainder of the 15-year term. The Company owed $961,000 of Release Amount to PRP for the year ended December 31, 2008 and made this payment in January 2009. The Company was not required to make any fair market rental payments to PRP during 2008. PRP reimbursed the Company $287,000 in January 2009 for invoices that the Company had paid on PRP's behalf during the year ended December 31, 2008.

Upon completion of the Merger, the Company entered into a management agreement with Kangaroo Management Company I, LLC (the "Management Company"), whose members are the Founders and entities affiliated with Bain Capital and Catterton. In accordance with the terms of the agreement, the Management Company will provide management services to the Company until the tenth anniversary of the consummation of the Merger, with one-year extensions thereafter until terminated. The Management Company will receive an aggregate annual management fee equal to $9,100,000 and reimbursement for out-of-pocket expenses incurred by it, its members, or their respective affiliates in connection with the provision of services pursuant to the agreement. Management fees, including out-of-pocket expenses, of $2,541,000 and $2,275,000 for the three months ended March 31, 2009 and 2008 were included in general and administrative expenses in the Company's Consolidated Statements of Operations. The management agreement includes customary exculpation and indemnification provisions in favor of the Management Company, Bain Capital and Catterton and their respective affiliates. The management agreement may be terminated by the Company, Bain Capital and Catterton at any time and will terminate automatically upon an initial public offering or a change of control unless the Company and the counterparty(s) determine otherwise.

In January 2009, Bain Capital and Catterton elected to defer receipt of their portion of the first quarter of 2009 management fees of approximately $865,000. Reimbursement of any out-of-pocket expenses incurred in connection with the provision of services pursuant to the agreement was not deferred.

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OSI Restaurant Partners, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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14. Variable Interest Entities

The Company's consolidated financial statements include the accounts and operations of OSI Restaurant Partners, LLC, OSI Co-Issuer, Inc. and the Company's affiliated partnerships and limited liability corporations in which it is a general partner or managing member and owns a controlling financial interest. OSI Co-Issuer, Inc., a wholly-owned subsidiary of OSI Restaurant Partners, LLC, was formed to facilitate the Merger and does not conduct ongoing business operations. The Company consolidates variable interest entities in which the Company absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. Therefore, if the Company has a controlling financial interest in a variable interest entity, the assets, liabilities, and results of the activities of the variable interest entity are included in the consolidated financial statements.

The Company's consolidated financial statements include the accounts and operations of its Roy's consolidated joint venture in which it has a less than majority ownership. The Company controls the executive committee (which functions as a board of directors) through representation on the board by related parties, and it is able to direct or cause the direction of management and operations on a day-to-day basis. Additionally, the majority of capital contributions made by the Company's partner in the Roy's consolidated joint venture have been funded by loans to the partner from a third party where the Company is required to be a guarantor of the debt, which provides the Company control through its collateral interest in the joint venture partner's membership interest. As a result of the Company's controlling financial interest and control of the executive committee, the joint venture is included in the Company's consolidated financial statements. The portion of income or loss attributable to the noncontrolling interest is eliminated in the line item in the consolidated statements of operations entitled "Net income attributable to the noncontrolling interest." All material intercompany balances and transactions have been eliminated.

In accordance with FIN 46R, the Company determined that PRP is a variable interest entity; however the Company is not its primary beneficiary, as the Company determined that it does not absorb a majority of the expected losses and/or residual returns of PRP or protect equity and other variable interest holders from suffering the majority of expected losses through implicit guarantees of PRP's assets or liabilities. As a result, PRP has not been consolidated into the Company's financial statements. If the master lease were to be terminated in connection with any default by the Company or if the lenders under PRP's real estate credit facility were to foreclose on the restaurant properties as a result of a PRP default under its real estate credit facility, the Company could, subject to the terms of a subordination and nondisturbance agreement, lose the use of some or all of the properties that it leases under the master lease. The Company is unable to estimate the maximum loss, which it has determined is remote, that would be incurred from losing the use of the properties it leases under the master lease. Accordingly, the Company has not recognized an obligation associated with the loss of use of some or all of its properties, but it believes such a loss would be material.

The equity method of accounting is used for investments in affiliated companies which: are not controlled by the Company, the Company's interest is generally between 20% and 50% and the Company has the ability to exercise significant influence over the entity. The Company's share of earnings or losses of affiliated companies accounted for under the equity method is recorded in "Income from operations of unconsolidated affiliates" in its Consolidated Statements of Operations.

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OSI Restaurant Partners, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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14. Variable Interest Entities (continued)

The Company is a franchisor of 147 restaurants as of March 31, 2009, but does not possess any ownership interests in its franchisees and generally does not provide financial support to franchisees in its typical franchise relationship. These franchise relationships are not deemed variable interest entities and are not consolidated.

The Company was the guarantor on an uncollateralized line of credit that matured in December 2008 and permitted borrowing of up to $35,000,000 for a limited liability company, T-Bird, an entity affiliated with its California franchisees. This entity used proceeds from the line of credit for loans to its affiliates, T-Bird Loans, that serve as general partners of 42 franchisee limited partnerships, which currently own and operate 41 Outback Steakhouse restaurants. The funds were ultimately used for the purchase of real estate and construction of buildings to be opened as Outback Steakhouse restaurants and leased to the franchisees' limited partnerships. On January 12, 2009, the Company received notice that an event of default had occurred in connection with the line of credit because T-Bird failed to pay the outstanding balance of $33,283,000 due on the maturity date. On February 17, 2009, the Company terminated its guarantee obligation by purchasing the note and all related rights from the lender for $33,311,000, which included the principal balance due on maturity and accrued and unpaid interest. In anticipation of receiving a notice of default subsequent to the end of the year, the Company recorded a $33,150,000 allowance for the T-Bird Loan receivables during the fourth quarter of 2008. Since T-Bird defaulted on its line of credit, the Company has the right to call into default all of its franchise agreements in California and exercise any rights and remedies under those agreements as well as the right to recourse under loans T-Bird has made to individual corporations in California which own the land and/or building that is leased to those franchise locations. Therefore, on February 19, 2009, the Company filed suit against T-Bird and its affiliates in Florida state court seeking, among other remedies, to enforce the note and collect on the T-Bird Loans. On February 20, 2009, T-Bird and certain of its affiliates filed suit against the Company and certain of its officers and affiliates. The Company consolidates T-Bird because it is a variable interest entity and the Company absorbs the majority of the expected losses (see Note 8).

15. Subsequent Events

Subsequent to the end of the first quarter of 2009, the Company committed $1,311,000 of its working capital revolving credit facility for the issuance of letters of credit. As of the filing date of this report, the Company has total outstanding letters of credit of $70,746,000, which is $4,254,000 below the maximum of $75,000,000 of letters of credit permitted to be issued under its working capital revolving credit facility (see Note 8).

In May 2009, the Company executed a letter of intent to sell its Cheeseburger in Paradise concept for $2,000,000 to an entity to be formed and controlled by Steve Overholt, President of the concept.

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OSI Restaurant Partners, LLC
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Management’s discussion and analysis of financial condition and results of operations should be read in conjunction with the Unaudited Consolidated Financial Statements and the related Notes. Unless the context otherwise indicates, as used in this report, the term the “Company,” “we,” “us,” “our” and other similar terms mean OSI Restaurant Partners, LLC.

Overview

We are one of the largest casual dining restaurant companies in the world, with six restaurant concepts, more than 1,475 system-wide restaurants and 2008 annual revenues for Company-owned restaurants exceeding $3.9 billion. We operate in 49 states and in 20 countries internationally, predominantly through Company-owned restaurants, but we also operate under a variety of partnerships and franchises. Our primary concepts include Outback Steakhouse, Carrabba’s Italian Grill, Bonefish Grill and Fleming’s Prime Steakhouse and Wine Bar. Our other non-core concepts include Roy’s and Cheeseburger in Paradise. In May 2009, we executed a letter of intent to sell our Cheeseburger in Paradise concept for $2,000,000 to an entity to be formed and controlled by Steve Overholt, President of the concept. Our long-range plan is to exit our Roy’s concept, but we do not have an established timeframe within which this will occur.

Our primary focus as a company of restaurants is to provide a quality product together with quality service across all of our brands. This goal entails offering consumers of different demographic backgrounds an array of dining alternatives suited for differing needs. Our sales are primarily generated through a diverse customer base, which includes people eating in our restaurants as regular patrons who return for meals several times a week or on special occasions such as birthday parties, private events and for business entertainment. Secondarily, we generate revenues through sales of franchises and ongoing royalties.

The restaurant industry is a highly competitive and fragmented business, which is subject to sensitivity from changes in the economy, trends in lifestyles, seasonality (customer spending patterns at restaurants are generally highest in the first quarter of the year and lowest in the third quarter of the year) and fluctuating costs. Operating margins for restaurants are susceptible to fluctuations in prices of commodities, which include among other things, beef, chicken, seafood, butter, cheese, produce and other necessities to operate a restaurant, such as natural gas or other energy supplies. Additionally, the restaurant industry is characterized by a high initial capital investment, coupled with high labor costs. The combination of these factors underscores our initiatives to drive increased sales at existing restaurants in order to raise margins and profits, because the incremental sales contribution to profits from every additional dollar of sales above the minimum costs required to open, staff and operate a restaurant is high. We are not a company focused on growth in the number of restaurants just to generate additional sales. Our expansion and operation strategies are to balance investment costs and the economic factors of operation, in order to generate reasonable, sustainable margins and achieve acceptable returns on investment from our restaurant concepts.

The ongoing disruptions in the economy and the financial markets pose challenges to our business as consumer confidence and spending, availability of credit, interest rates, foreign currency exchanges rates and other items are adversely impacted (see “Current Economic Challenges and Impacts of Market Conditions” included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further discussion).

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OSI Restaurant Partners, LLC
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview (continued)

We promote our Outback Steakhouse, Carrabba's Italian Grill and Bonefish Grill restaurants through national and spot television and/or radio media. We advertise on television in spot markets when our brands achieve sufficient penetration to make a meaningful broadcast schedule affordable. We rely on word-of-mouth customer experience, grassroots marketing in local venues, direct mail and national print media to support broadcast media and as the primary campaigns for our upscale casual and smaller brands. We have developed a multi-year plan to refresh and update our Outback Steakhouse restaurants. The new look delivers an experience that we believe reaches beyond the existing interpretation of Australia and the Outback in our restaurants, and it is expressed in updated fabrics, textures, art, lighting, props and murals. Our advertising spending is targeted to promote and maintain brand image and develop consumer awareness of new menu offerings. We also strive to increase sales through excellence in execution. Our marketing strategy of enticing customers to visit frequently and also recommending our restaurants to others complements what we believe are the fundamental elements of success: convenient sites, service-oriented employees and flawless execution in a well-managed restaurant.

Key factors we use in evaluating our restaurants and assessing our business include the following:

- Average unit volumes - average sales per restaurant to measure changes in consumer traffic, pricing and development of the brand;
- Operating margins - restaurant revenues after deduction of the main restaurant-level operating costs (including cost of sales, restaurant operating expenses, and labor and related costs);
- System-wide sales - total sales volume for all company-owned, franchise and unconsolidated joint venture restaurants, regardless of ownership, to interpret the overall health of our brands; and
- Same-store or comparable sales - year-over-year comparison of sales volumes for restaurants that are open in both years in order to remove the impact of new openings in comparing the operations of existing restaurants.

Our industry's challenges and risks include, but are not limited to, economic conditions, including weak consumer spending, the impact of government regulation, the availability of qualified employees, consumer perceptions regarding food safety and/or the health benefits of certain types of food, including attitudes about alcohol consumption, and commodity pricing. Additionally, our planned development schedule is subject to risk because of significant real estate and construction costs and the availability of capital, and our results are affected by consumer tolerance of price increases. Changes in our operations in future periods may also result from changes in beef prices and other commodity costs and continued pre-opening expenses from the development of new restaurants and our expansion strategy.

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to make capital expenditures to invest in new restaurants, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable-rate debt and prevent us from meeting our obligations under the senior notes.

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OSI Restaurant Partners, LLC
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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Results of Operations

The following tables set forth, for the periods indicated, (i) percentages that items in our Consolidated Statements of Operations bear to total revenues or restaurant sales, as indicated, and (ii) selected operating data:

	THREE MONTHS ENDED MARCH 31,	
	2009	2008
Revenues		
Restaurant sales	99.4%	99.5%
Other revenues	0.6	0.5
Total revenues	100.0	100.0
Costs and expenses		
Cost of sales (1)	33.5	35.0
Labor and other related (1)	28.1	27.7
Other restaurant operating (1)	24.7	24.3
Depreciation and amortization	4.8	4.4
General and administrative	6.1	6.7
Loss on contingent debt guarantee	2.5	-
Provision for impaired assets and restaurant closings	0.7	0.3
Income from operations of unconsolidated affiliates	(*)	(0.1)
Total costs and expenses	99.9	98.0
Income from operations	0.1	2.0
Gain on extinguishment of debt	16.4	-
Other expense, net	(0.6)	-
Interest income	*	0.1
Interest expense	(2.8)	(4.5)
Income (loss) before provision (benefit) for income taxes	13.1	(2.4)
Provision (benefit) for income taxes	4.5	(1.6)
Net income (loss)	8.6	(0.8)
Less: net income attributable to noncontrolling interest	0.1	0.1
Net income (loss) attributable to OSI Restaurant Partners, LLC	8.5%	(0.9)%

(1) As a percentage of restaurant sales.
* Less than 1/10 of one percent of total revenues.

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OSI Restaurant Partners, LLC
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations (continued)

System-wide sales declined by 9.6% for the three months ended March 31, 2009 compared with the corresponding period in 2008. System-wide sales is a non-GAAP financial measure that includes sales of all restaurants operating under our brand names, whether we own them or not. There are two components of system-wide sales, sales of Company-owned restaurants of OSI Restaurant Partners, LLC and sales of franchised and development joint venture restaurants. The table below presents the first component of system-wide sales, sales of Company-owned restaurants:

	THREE MONTHS ENDED MARCH 31,	
	2009	2008
COMPANY-OWNED RESTAURANT SALES (in millions):		
Outback Steakhouse		
Domestic	$ 534	$ 583
International	64	84
Total	598	667
Carrabba's Italian Grill	171	185
Bonefish Grill	98	100
Fleming's Prime Steakhouse and Wine Bar	52	58
Other restaurants	40	54
Total Company-owned restaurant sales	$ 959	$ 1,064

The following information presents the second component of system-wide sales, sales of franchised and unconsolidated development joint venture restaurants. These are restaurants that are not owned by us and from which we only receive a franchise royalty or a portion of their total income. Management believes that franchise and unconsolidated development joint venture sales information is useful in analyzing our revenues because franchisees and affiliates pay service fees and/or royalties that generally are based on a percentage of sales. Management also uses this information to make decisions about future plans for the development of additional restaurants and new concepts as well as evaluation of current operations.

These sales do not represent sales of OSI Restaurant Partners, LLC, and are presented only as an indicator of changes in the restaurant system, which management believes is important information regarding the health of our restaurant brands.

	THREE MONTHS ENDED MARCH 31,	
	2009	2008
FRANCHISE AND DEVELOPMENT JOINT VENTURE SALES (in millions) (1):		
Outback Steakhouse		
Domestic	$ 80	$ 88

International		34		36
Total		114		124
Carrabba's Italian Grill		1		-
Bonefish Grill		4		4
Total franchise and development joint venture sales (1)	$	119	$	128
Income from franchise and development joint ventures (2)	$	5	$	6

(1) Franchise and development joint venture sales are not included in revenues as reported in the Consolidated Statements of Operations.

(2) Represents the franchise royalty and portion of total income related to restaurant operations included in the Consolidated Statements of Operations in the line items "Other revenues" or "Income from operations of unconsolidated affiliates."

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OSI Restaurant Partners, LLC
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Results of Operations (continued)

The table below presents the number of our restaurants in operation at the end of the periods indicated:

	MARCH 31,	
	2009	2008
Number of restaurants (at end of the period):		
Outback Steakhouse		
Company-owned - domestic	688	689
Company-owned - international	121	129
Franchised and development joint venture - domestic	108	107
Franchised and development joint venture - international	53	51
Total	970	976
Carrabba's Italian Grill		
Company-owned	231	236
Franchised and development joint venture	1	-
Total	232	236
Bonefish Grill		
Company-owned	143	138
Franchised and development joint venture	7	6
Total	150	144
Fleming’s Prime Steakhouse and Wine Bar		
Company-owned	63	54
Other		
Company-owned	63	71
System-wide total	1,478	1,481

None of our individual brands are considered separate reportable segments for purposes of SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information” (“SFAS No. 131”), as the brands have similar economic characteristics, nature of products and services, class of customer and distribution methods.

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OSI Restaurant Partners, LLC
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Three months ended March 31, 2009 compared to three months ended March 31, 2008

REVENUES

Restaurant sales. Restaurant sales decreased by 9.9% or $105,222,000 during the three months ended March 31, 2009 as compared with the same period in 2008. The decrease in restaurant sales was primarily attributable to decreases in sales volume at existing restaurants and the closing of 34 restaurants since March 31, 2008 and was partially offset by additional revenues of approximately $25,073,000 from the opening of 33 new restaurants after March 31, 2008. The following table includes additional information about changes in restaurant sales at domestic Company-owned restaurants for the three months ended March 31, 2009 and 2008:

	THREE MONTHS ENDED MARCH 31, 2009	THREE MONTHS ENDED MARCH 31, 2008
Average restaurant unit volumes (weekly):		
Outback Steakhouse	$ 60,450	$ 65,066
Carrabba's Italian Grill	$ 57,487	$ 59,991
Bonefish Grill	$ 53,415	$ 57,081
Fleming's Prime Steakhouse and Wine Bar	$ 65,750	$ 82,027
Operating weeks:		
Outback Steakhouse	8,837	8,962
Carrabba's Italian Grill	2,973	3,088
Bonefish Grill	1,830	1,761
Fleming's Prime Steakhouse and Wine Bar	795	702
Year over year percentage change:		
Menu price increases: (1)		
Outback Steakhouse	1.9%	3.2%
Carrabba's Italian Grill	1.6%	1.4%
Bonefish Grill	2.2%	1.2%
Fleming's Prime Steakhouse and Wine Bar	0.2%	4.1%
Same-store sales (stores open 18 months or more):		
Outback Steakhouse	-8.4%	-2.6%
Carrabba's Italian Grill	-7.3%	0.7%
Bonefish Grill	-10.0%	-3.9%
Fleming's Prime Steakhouse and Wine Bar	-19.9%	-6.8%

(1) The stated pricing excludes the impact of product mix shifts to new menu offerings.

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OSI Restaurant Partners, LLC
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Three months ended March 31, 2009 compared to three months ended March 31, 2008 (continued)

COSTS AND EXPENSES

Cost of sales. Cost of sales, consisting of food and beverage costs, decreased by 1.5% of restaurant sales to 33.5% in the three months ended March 31, 2009 as compared with 35.0% in the same period in 2008. Of the decrease as a percentage of restaurant sales, 1.2% was due to the impact of certain cost savings initiatives, 0.6% was due to decreases in beef and dairy costs and 0.4% was a result of general menu price increases. This decrease as a percentage of restaurant sales was partially offset by increases in produce, seafood, and other commodity costs that negatively impacted cost of sales by 0.7% as a percentage of restaurant sales.

Labor and other related expenses. Labor and other related expenses include all direct and indirect labor costs incurred in operations, including distribution expense to managing partners, costs related to the Partner Equity Plan (the “PEP”) and other stock-based and incentive compensation expenses. Labor and other related expenses increased 0.4% as a percentage of restaurant sales to 28.1% in the three months ended March 31, 2009 as compared with 27.7% in the same period in 2008. Of the increase as a percentage of restaurant sales, approximately 1.1% was attributable to declines in average unit volumes, 1.0% was from higher kitchen, service and management labor costs including payroll tax expense and 0.1% was due to an increase in health insurance costs. The increase was partially offset by decreases as a percentage of restaurant sales of approximately 1.5% from cost savings initiatives, 0.2% for decreases in PEP expense and 0.1% as a result of a reduction in distribution expense to managing partners.

Other restaurant operating expenses. Other restaurant operating expenses include certain unit-level operating costs such as operating supplies, rent, repair and maintenance, advertising expenses, utilities, pre-opening costs and other occupancy costs. A substantial portion of these expenses is fixed or indirectly variable. These costs increased 0.4% to 24.7% as a percentage of restaurant sales in the three months ended March 31, 2009 as compared with 24.3% in the same period in 2008. Of the increase as a percentage of restaurant sales, approximately 1.1% was from declines in average unit volumes, 0.2% was due to increases in repair and maintenance costs and 0.1% resulted from increases in other occupancy costs. The increase was mostly offset by decreases as a percentage of restaurant sales of 0.4% for lower general liability insurance expense, 0.3% from certain cost savings initiatives, 0.2% was due to decreases in advertising expenses and utilities costs and 0.1% from a reduction in pre-opening costs.

Depreciation and amortization. Depreciation and amortization costs increased 0.4% as a percentage of total revenues to 4.8% in the three months ended March 31, 2009 as compared with 4.4% in the same period in 2008, resulting primarily from declines in average unit volumes.

General and administrative. General and administrative costs decreased by $13,691,000 to $58,483,000 in the three months ended March 31, 2009 as compared with $72,174,000 in the same period in 2008. This decrease primarily was attributable to a shift in the timing of field operations’ meeting expenses to the second quarter of 2009 as opposed to the first quarter of 2008, a gain of $2,400,000 on the cash surrender value of life insurance and $2,300,000 of reduced deferred compensation expense for corporate employees. Other general and administrative costs decreases included results from certain cost savings initiatives.

Loss on contingent debt guarantee. We are the guarantor of an uncollateralized line of credit that permits borrowing of up to a maximum of $24,500,000 for our joint venture partner, RY-8, Inc. (“RY-8”), in the development of Roy's restaurants (see “Debt Guarantees” included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”). We recorded a $24,500,000 loss from this guarantee for the three months ended March 31, 2009.

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Three months ended March 31, 2009 compared to three months ended March 31, 2008 (continued)

COSTS AND EXPENSES (continued)

Provision for impaired assets and restaurant closings. During the first quarter of 2009, we recorded a provision for impaired assets and restaurant closings of $7,136,000 which included $6,539,000 of impairment charges and restaurant closing expense for certain of our restaurants and $597,000 of other impairment charges. During the first quarter of 2008, we recorded a provision for impaired assets and restaurant closings of $3,664,000 for certain of our restaurants. Restaurant impairment charges primarily occurred as a result of the carrying value of a restaurant's assets exceeding its estimated fair market value, generally due to anticipated closures or declining future cash flows from lower projected future sales on existing locations.

Gain on extinguishment of debt. During the first quarter of 2009, we accepted for purchase $240,145,000 in principal amount of our senior notes in a cash tender offer. We paid $72,998,000 for the senior notes accepted for purchase and $6,671,000 of accrued interest. We recorded a gain from the extinguishment of our debt of $158,061,000 for the three months ended March 31, 2009. The gain was reduced by $6,117,000 for the pro rata portion of unamortized deferred financing fees that related to the extinguished senior notes and by $2,969,000 for fees related to the tender offer.

Other expense, net. Other expense, net represents the net of revenues and expenses from non-restaurant operations. Other expense, net for the three months ended March 31, 2009 related to foreign currency transaction losses of $5,660,000 on international investments.

Interest expense. Interest expense was $27,010,000 for the three months ended March 31, 2009 as compared with $47,827,000 in the same period in 2008. The decrease in interest expense resulted from (1) a significant decrease in outstanding senior notes as a result of our cash tender offer during the first quarter of 2009 and our open market purchases during the fourth quarter of 2008, (2) an overall decline in the variable interest rates on our senior secured term loan facility and other variable-rate debt in the first quarter of 2009 as compared with the same period in 2008 and (3) $687,000 of net interest income as compared to $10,848,000 of net interest expense for the three months ended March 31, 2009 and 2008, respectively, for mark-to-market adjustments on our interest rate collar.

Provision (benefit) for income taxes. The effective income tax rate for the three months ended March 31, 2009 was 34.0% compared to 65.4% for the three months ended March 31, 2008. The effective income tax rate for the three months ended March 31, 2008 was significantly higher than the combined federal and state statutory rate of 39.6% due to the benefit of the expected tax credit for excess FICA tax on employee-reported tips being such a large percentage of projected annual pretax loss. The net decrease of 31.4% in the effective income tax rate during the three months ended March 31, 2009 from the rate in the same period in 2008 was primarily due to the $158,061,000 gain on extinguishment of debt realized during the first quarter of 2009. The tax related to this gain has been computed at the combined federal and state statutory rate of 38.9% and recorded as a discrete item for the three months ended March 31, 2009. As result of recording the gain, the expected benefit of the tax credit for excess FICA tax on tips is a significantly smaller percentage of pretax income for the three months ended March 31, 2009 as compared to the expected tax credit benefit as a percentage of the pretax loss for the same period in 2008.

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Financial Condition

Cash and cash equivalents was $123,088,000 at March 31, 2009 as compared with $271,470,000 at December 31, 2008. This decrease was primarily due to our cash tender offer in the first quarter of 2009 in which we paid $72,998,000 for the senior notes accepted for purchase and $6,671,000 of accrued interest. We funded the tender offer with (i) cash on hand and (ii) proceeds from a $47,000,000 contribution from our direct owner, OSI HoldCo, Inc. ("OSI HoldCo"), (see "Credit Facilities" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations"). In addition, we paid $33,311,000 upon termination of our guarantee obligation for T-Bird Nevada, LLC ("T-Bird") by purchasing the note and all related rights from the lender in February 2009 (see "Debt Guarantees" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations") and paid approximately $30,000,000 of Accounts payable from December 31, 2008 that was delayed until the beginning of 2009 (which under our historic practices would have been paid by December 31, 2008).

Working capital (deficit) totaled ($183,673,000) and ($204,528,000) at March 31, 2009 and December 31, 2008, respectively, and included Unearned revenue from gift cards of $140,225,000 and $212,677,000 at March 31, 2009 and December 31, 2008, respectively.

Current liabilities totaled $492,663,000 at March 31, 2009 as compared with $663,898,000 at December 31, 2008 with the decrease primarily due to an $81,586,000 decrease in Accounts payable and a $72,452,000 decrease in Unearned revenue. The decline in Accounts payable is due to the normal seasonal pattern combined with a reduction in purchasing volume, price savings realized from certain costs savings initiatives and the aforementioned delay in Accounts payable payments. The decrease in Unearned revenue is due to the typical seasonal pattern. The decline in current liabilities also resulted from the termination of our $33,283,000 guarantee obligation for T-Bird in February 2009 (see "Debt Guarantees" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations"). The decline in Long-term debt to $1,476,059,000 at March 31, 2009 from $1,721,179,000 at December 31, 2008 was a result of our cash tender offer in the first quarter of 2009 in which we accepted for purchase $240,145,000 in principal amount of our senior notes.

Liquidity and Capital Resources

CURRENT ECONOMIC CHALLENGES AND POTENTIAL IMPACTS OF MARKET CONDITIONS

We require capital primarily for principal and interest payments on our debt, prepayment requirements under our term loan facility (see "Credit Facilities and Other Indebtedness" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations"), obligations related to our deferred compensation plans, the development of new restaurants, remodeling older restaurants, investments in technology and acquisitions of franchisees and joint venture partners.

The ongoing disruptions in the financial markets and adverse changes in the economy have created a challenging environment for us and for the restaurant industry and may limit our liquidity. During 2008, we incurred goodwill and intangible asset impairment charges of $604,071,000 and $46,420,000, respectively, which were recorded during the second and fourth quarters of 2008, and restaurant impairment charges of $65,767,000. During the three months ended March 31, 2009, we recorded a provision for impaired assets and restaurant closings of $7,136,000. In 2008, we experienced downgrades in our credit ratings, and we continue to experience declining restaurant sales and be subject to risk from: consumer confidence and spending patterns; the availability of credit presently arranged from revolving credit facilities; the future cost and availability of credit; interest rates; foreign currency exchange rates; and the liquidity or operations of our third-party vendors and other service providers. Additionally, our substantial leverage could adversely affect the ability to raise additional capital, to fund operations or to react to changes in the economy or industry. In response to these conditions, we accelerated existing initiatives and implemented new measures in 2008 to manage liquidity.

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Liquidity and Capital Resources (continued)

CURRENT ECONOMIC CHALLENGES AND POTENTIAL IMPACTS OF MARKET CONDITIONS (continued)

We have implemented various cost-saving initiatives, including food cost decreases via waste reduction and supply chain efficiency, labor efficiency initiatives and reductions to both capital expenditures and general and administrative expenses. We developed new menu items to appeal to value-conscious consumers and have used marketing campaigns to promote these items. Additionally, interest expense is expected to decline significantly in future periods as a result of the completion of a cash tender offer that significantly reduced the aggregate principal amount outstanding of our senior notes (see "Credit Facilities and Other Indebtedness" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations"). Based on anticipated revenues and cash flows, we believe that the implemented initiatives and measures noted above will allow us to appropriately manage our liquidity and meet our debt service requirements. Our anticipated revenues and cash flows have been estimated based on results of actions taken, our knowledge of the economic trends and the declines in sales at our restaurants combined with our attempts to mitigate the impact of those declines. However, further deterioration in excess of our estimates could cause an adverse impact on our liquidity and financial position.

Continued deterioration in the financial markets could adversely affect our ability to borrow under our revolving credit facilities. At this time, none of our institutional lenders on our senior secured credit facilities have failed. During the first quarter of 2009, we did not borrow from our working capital revolving credit facility or from our pre-funded revolving credit facility. At March 31, 2009, our outstanding balances on the working capital revolving credit facility and on the pre-funded revolving credit facility were $50,000,000 and $12,000,000, respectively. In April 2009, we repaid outstanding loans under the pre-funded revolving credit facility and funded our capital expenditures account using 100% of our "annual true cash flow," as required and defined in the credit agreement.

At March 31, 2009 and December 31, 2008, our Moody's Applicable Corporate Rating was Caa1, and our Standard & Poor's corporate credit rating was B-. Our credit agreement does not penalize us for a downgrade in our credit ratings. We have not experienced a material change and do not anticipate experiencing a material change in vendor pricing or supply as a result of our credit ratings from Standard and Poor's and Moody's Investors Service.

Our current credit ratings, possible future downgrades in our credit ratings and further disruptions in the financial markets could affect our ability to obtain future credit and the cost of that credit. On April 1, 2009, a $24,500,000 line of credit that we guarantee expired and was amended with a revised termination date of April 15, 2013 (see "Debt Guarantees" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations"). We recorded a long-term contingent obligation and a loss from this guarantee of $24,500,000 in our consolidated financial statements at and for the three months ended March 31, 2009. At this time, we believe we have sufficient liquidity from our cash, short-term investments, restricted cash and available borrowing capacity on our revolving credit facilities to allow us to perform under the guarantee, if necessary.

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Liquidity and Capital Resources (continued)

CURRENT ECONOMIC CHALLENGES AND POTENTIAL IMPACTS OF MARKET CONDITIONS (continued)

In January 2009, we received notice that an event of default had occurred in connection with an uncollateralized line of credit that matured December 31, 2008 and permitted borrowing of up to $35,000,000 by a limited liability company, T-Bird, which is owned by the principal of each of our California franchisees of Outback Steakhouse restaurants (see “Debt Guarantees” included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”). T-Bird used proceeds from the line of credit for loans to its affiliates (“T-Bird Loans”) that serve as general partners of 42 franchisee limited partnerships, which currently own and operate 41 Outback Steakhouse restaurants. The funds were ultimately used for the purchase of real estate and construction of buildings to be opened as Outback Steakhouse restaurants and leased to the franchisees’ limited partnerships. T-Bird failed to pay the outstanding balance of $33,283,000 due on the maturity date, and this balance was recorded in “Current portion of guaranteed debt” on our Consolidated Balance Sheet at December 31, 2008. On February 17, 2009, we terminated our guarantee obligation by purchasing the note and all related rights from the lender for $33,311,000, which included the principal balance due on maturity and accrued and unpaid interest. We consolidate T-Bird and the related T-Bird Loans and, in anticipation of receiving a notice of default subsequent to the end of the year, recorded a $33,150,000 allowance for the T-Bird Loan receivables during the fourth quarter of 2008. On February 19, 2009, we filed suit against T-Bird and its affiliates in Florida state court seeking, among other remedies, to enforce the note and collect on the T-Bird Loans.

On February 20, 2009, T-Bird and certain of its affiliates filed suit against us and certain of our officers and affiliates. The suit claims, among other things, that we made various misrepresentations and breached certain oral promises allegedly made by us and certain of our officers to T-Bird and our affiliates that we would acquire the restaurants owned by T-Bird and its affiliates and until that time we would maintain financing for the restaurants that would be nonrecourse to T-Bird and its affiliates. The complaint seeks damages in excess of $100,000,000, exemplary or punitive damages, and other remedies. We and the other defendants believe the suit is without merit, and we intend to defend the suit vigorously.

Variable interest rates on the senior secured term loan facility declined slightly during the three months ended March 31, 2009 (between 2.81% at December 31, 2008 and 2.69% at March 31, 2009). The amount of required interest payments on our debt will change as future interest rates fluctuate, without considering the effects of the interest rate collar. Between November 18, 2008 and November 21, 2008, in an effort to deleverage and reduce interest expense, we purchased and extinguished $61,780,000 in aggregate principal amount of our senior notes at a significant discount on the open market. On February 18, 2009, we commenced a cash tender offer to purchase the maximum aggregate principal amount of our senior notes that we could purchase for $73,000,000, excluding accrued interest. The tender offer expired on March 20, 2009, and we accepted for purchase $240,145,000 in principal amount of our senior notes (see “Credit Facilities and Other Indebtedness” included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”).

Current market conditions have impacted our foreign currency exchange rates. These rates have stabilized during the first quarter of 2009. However, we may experience declines in our international operating results during the remainder of 2009, primarily due to the depreciation of foreign currency exchange rates for certain countries in which we operate.

The challenging economy may adversely affect our suppliers and other third-party service providers. At this time, however, we do not anticipate an interruption in supplies from our most significant vendors. In the first quarter of 2009, we committed $6,135,000 of our working capital revolving credit facility for the issuance of letters of credit. This was primarily for a $6,000,000 letter of credit to the insurance company that underwrites our bonds for liquor licenses, utilities, liens and construction. Subsequent to the end of the first quarter of 2009, we committed an additional $1,311,000 of our working capital revolving credit facility for the issuance of letters of credit. We may have to extend additional letters of credit in the future. As of the filing date of this report, we have total outstanding letters of credit of $70,746,000, which is $4,254,000 below the maximum of $75,000,000 of letters of credit permitted to be issued under our working capital revolving credit facility. If requests for letters of credit exceed the remaining availability on our working capital revolving credit facility, then we may have to use cash to fulfill our collateral requirements.

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Liquidity and Capital Resources (continued)

CURRENT ECONOMIC CHALLENGES AND POTENTIAL IMPACTS OF MARKET CONDITIONS (continued)

Our insurance reserves have not been affected by the disruptions in the financial markets, and we anticipate being able to renew our policies. Any changes in our counterparty credit risk for our interest rate collar have been accounted for in the fair value measurement of the derivative (see “Fair Value Measurements” included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”). As of March 31, 2009 and December 31, 2008, the fair value of the interest rate collar derivative, including accrued interest but excluding any adjustment for nonperformance risk, was in a net liability position of $26,586,000 and $28,857,000, respectively. As of March 31, 2009 and December 31, 2008, we were not required to post and did not post any collateral related to our interest rate collar. Our agreement with our counterparty for the interest rate collar contains a provision in which we could be declared in default on our derivative obligation if repayment of the underlying indebtedness is accelerated by the lender due to our default on the indebtedness. The termination value for such a settlement would have been $26,586,000 at March 31, 2009.

We believe that expected cash flow from operations, planned borrowing capacity, short-term investments and restricted cash balances are adequate to fund debt service requirements, operating lease obligations, capital expenditures and working capital obligations for the next twelve months. However, our ability to continue to meet these requirements will depend partially on our ability to achieve anticipated levels of revenue and cash flow and to manage costs. If our cash flow and capital resources are insufficient to fund our debt service obligations and operating lease obligations, we may be forced to reduce or delay capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness, including the senior notes. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of sufficient operating results and resources, we could face a substantial liquidity shortfall and might be required to dispose of material assets or operations, or take other actions, to meet our debt service and other obligations. Our senior secured credit facilities and the indenture governing the senior notes restrict our ability to dispose of assets and use the proceeds from the disposition. We may not be able to consummate those dispositions or to obtain the proceeds that we could otherwise realize from such dispositions and any such proceeds that are realized may not be adequate to meet any debt service obligations then due. The failure to meet our debt service obligations or the failure to remain in compliance with the financial covenants under our senior secured credit facilities, as described below, would constitute an event of default under those facilities and the lenders could elect to declare all amounts outstanding under the senior secured credit facilities to be immediately due and payable and terminate all commitments to extend further credit. See “Risk Factors” included in our Annual Report on Form 10-K for the year ended December 31, 2008 (“2008 10-K”).

Our senior secured credit facilities require us to comply with certain financial covenants, including a quarterly maximum total leverage ratio test, and, subject to our exceeding a minimum rent-adjusted leverage level, an annual minimum free cash flow test. At March 31, 2009, we were in compliance with our covenants. However, our continued compliance with these covenants will depend on our future levels of cash flow, which will be affected by our ability to successfully reduce our costs, implement efficiency programs and improve our working capital management. If, as a result of the economic challenges described above or otherwise, our revenue and resulting cash flow decline to levels that cannot be offset by reductions in costs, efficiency programs and improvements in working capital management, we may not remain in compliance with the leverage ratio and free cash flow covenants in our senior secured credit facilities agreement. In the event of this occurrence, we intend to take such actions available to us as we determine to be appropriate at such time, which may include, but are not limited to, engaging in a permitted equity issuance, seeking a waiver from our lenders, amending the terms of such facilities, including the covenants described above, or refinancing all or a portion of our senior secured credit facilities under modified terms. There can be no assurance that we will be able to effect any such actions or terms acceptable to us or at all or that such actions will be successful in maintaining our covenant compliance.

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Liquidity and Capital Resources (continued)

CAPITAL EXPENDITURES

Capital expenditures totaled approximately $15,191,000 and $30,935,000 for the three months ended March 31, 2009 and 2008, respectively. We estimate that our capital expenditures will total approximately $60,000,000 to $70,000,000 in 2009. However, the amount of actual capital expenditures may be affected by general economic, financial, competitive, legislative and regulatory factors, among other things, including restrictions imposed by our borrowing arrangements. We expect to continue to review the level of capital expenditures throughout the remainder of 2009.

SUMMARY OF CASH FLOWS

The following table presents a summary of our cash flows from operating, investing and financing activities for the periods indicated (in thousands):

	THREE MONTHS ENDED MARCH 31,	
	2009	2008
Net cash used in operating activities	$ (66,478)	$ (3,840)
Net cash used in investing activities	(11,478)	(29,244)
Net cash used in financing activities	(70,426)	(5,466)
Net decrease in cash and cash equivalents	$ (148,382)	$ (38,550)

Operating activities

Net cash used in operating activities for the three months ended March 31, 2009 was $66,478,000 compared to $3,840,000 for the same period in 2008. The increase in cash used in operating activities was primarily attributable to an increase in payments made on accounts payable, an increase in gift card redemptions and changes in timing of advertising and interest payments between periods and is partially offset by decreases in inventory during the first quarter of 2009 as compared to the first quarter of 2008.

Investing activities

Net cash used in investing activities for the three months ended March 31, 2009 was $11,478,000 compared to $29,244,000 for the same period in 2008. Net cash used in investing activities for the three months ended March 31, 2009 was primarily attributable to capital expenditures of $15,191,000. Net cash used in investing activities for this period was partially offset by the $2,829,000 net difference between restricted cash received and restricted cash used and was primarily related to the conversion of restricted cash designated for property taxes to cash. Net cash used in investing activities for the three months ended March 31, 2008 primarily included capital expenditures of $30,935,000.

Financing activities

Net cash used in financing activities for the three months ended March 31, 2009 was $70,426,000 compared to $5,466,000 for the same period in 2008. Net cash used in financing activities during the three months ended March 31, 2009 was primarily attributable to (1) $75,967,000 of cash paid for the extinguishment of a portion of our senior notes and related fees, (2) $33,283,000 of cash paid for the purchase of the note related to our guaranteed debt for T-Bird and (3) repayments of long-term debt of $5,951,000. This was partially offset by a $47,000,000 contribution from OSI HoldCo, our direct owner, to partially fund our extinguishment of a portion of our senior notes. Net cash used in financing activities for the three months ended March 31, 2008 was primarily attributable to repayments of long-term debt of $4,170,000.

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TRANSACTIONS

On June 14, 2007, OSI Restaurant Partners, Inc., by means of a merger and related transactions (the "Merger"), was acquired by Kangaroo Holdings, Inc. (the "Ultimate Parent" or "KHI"), which is controlled by an investor group comprised of funds advised by Bain Capital Partners, LLC ("Bain Capital"), Catterton Partners ("Catterton"), Chris T. Sullivan, Robert D. Basham and J. Timothy Gannon (our "Founders") and certain members of our management. In connection with the Merger, OSI Restaurant Partners, Inc. converted into a Delaware limited liability company named OSI Restaurant Partners, LLC.

Our non-core concepts include Roy's and Cheeseburger in Paradise. Our long-range plan is to exit our Roy's concept, but we do not have an established timeframe within which this will occur. During the first quarter of 2009, we continued to market our Cheeseburger in Paradise concept for sale. As of March 31, 2009, we determined that our Cheeseburger in Paradise concept does not meet the assets held for sale criteria defined in SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS No. 144"). However, if these criteria are met in the future, we may need to record an impairment loss in our Consolidated Statement of Operations, and this impairment loss may be material to our consolidated financial statements. In May 2009, we executed a letter of intent to sell our Cheeseburger in Paradise concept for $2,000,000 to an entity to be formed and controlled by Steve Overholt, President of the concept.

CREDIT FACILITIES AND OTHER INDEBTEDNESS

On June 14, 2007, in connection with the Merger, we entered into senior secured credit facilities with a syndicate of institutional lenders and financial institutions. These senior secured credit facilities provide for senior secured financing of up to $1,560,000,000, consisting of a $1,310,000,000 term loan facility, a $150,000,000 working capital revolving credit facility, including letter of credit and swing-line loan sub-facilities, and a $100,000,000 pre-funded revolving credit facility that provides financing for capital expenditures only.

The senior secured term loan facility matures June 14, 2014, and its proceeds were used to finance the Merger. At each rate adjustment, we have the option to select a Base Rate plus 125 basis points or a Eurocurrency Rate plus 225 basis points for the borrowings under this facility. The Base Rate option is the higher of the prime rate of Deutsche Bank AG New York Branch and the federal funds effective rate plus ½ of 1% ("Base Rate") (3.25% at March 31, 2009 and December 31, 2008). The Eurocurrency Rate option is the 30, 60, 90 or 180-day Eurocurrency Rate ("Eurocurrency Rate") (ranging from 0.50% to 1.74% and from 0.44% to 1.75% at March 31, 2009 and December 31, 2008, respectively). The Eurocurrency Rate may have a nine- or twelve-month interest period if agreed upon by the applicable lenders. With either the Base Rate or the Eurocurrency Rate, the interest rate is reduced by 25 basis points if our Moody's Applicable Corporate Rating then most recently published is B1 or higher (the rating was Caa1 at March 31, 2009 and December 31, 2008).

We will be required to prepay outstanding term loans, subject to certain exceptions, with:

§ 50% of our "annual excess cash flow" (with step-downs to 25% and 0% based upon our rent-adjusted leverage ratio), as defined in the credit agreement and subject to certain exceptions;

§ 100% of our “annual minimum free cash flow,” as defined in the credit agreement, not to exceed $50,000,000 for the fiscal year ended December 31, 2007 or $75,000,000 for each subsequent fiscal year, if our rent-adjusted leverage ratio exceeds a certain minimum threshold;

§ 100% of the net proceeds of certain assets sales and insurance and condemnation events, subject to reinvestment rights and certain other exceptions; and

§ 100% of the net proceeds of any debt incurred, excluding permitted debt issuances.

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CREDIT FACILITIES AND OTHER INDEBTEDNESS (continued)

Additionally, we will, on an annual basis, be required to (1) first, repay outstanding loans under the pre-funded revolving credit facility and (2) second, fund a capital expenditure account established on the closing date of the Merger to the extent amounts on deposit are less than $100,000,000, in both cases with 100% of our "annual true cash flow," as defined in the credit agreement. In accordance with these requirements, in April 2009, we repaid our pre-funded revolving credit facility outstanding loan balance.

Our senior secured credit facilities require scheduled quarterly payments on the term loans equal to 0.25% of the original principal amount of the term loans for the first six years and three quarters following the closing of the Merger. These payments will be reduced by the application of any prepayments, and any remaining balance will be paid at maturity. The outstanding balance on the term loans was $1,181,725,000 and $1,185,000,000 at March 31, 2009 and December 31, 2008, respectively.

Proceeds of loans and letters of credit under the $150,000,000 working capital revolving credit facility provide financing for working capital and general corporate purposes and, subject to a rent-adjusted leverage condition, for capital expenditures for new restaurant growth. This revolving credit facility matures June 14, 2013 and bears interest at rates ranging from 100 to 150 basis points over the Base Rate or 200 to 250 basis points over the Eurocurrency Rate. At March 31, 2009 and December 31, 2008, the outstanding balance was $50,000,000. In addition to outstanding borrowings at March 31, 2009 and December 31, 2008, $69,435,000 and $63,300,000, respectively, of the credit facility was not available for borrowing as (i) $37,540,000 of the credit facility was committed for the issuance of letters of credit as required by insurance companies that underwrite our workers' compensation insurance and also, where required, for construction of new restaurants, (ii) $24,500,000 of the credit facility was committed for the issuance of a letter of credit for our guarantee of an uncollateralized line of credit for our joint venture partner, RY-8, in the development of Roy's restaurants, (iii) $6,000,000 of the credit facility at March 31, 2009 was committed for the issuance of a letter of credit to the insurance company that underwrites our bonds for liquor licenses, utilities, liens and construction and (iv) $1,395,000 and $1,260,000, respectively, of the credit facility was committed for the issuance of other letters of credit. Subsequent to the end of the first quarter of 2009, we committed an additional $1,311,000 of our working capital revolving credit facility for the issuance of letters of credit. We may have to extend additional letters of credit in the future. As of the filing date of this report, we have total outstanding letters of credit of $70,746,000, which is $4,254,000 below the maximum of $75,000,000 of letters of credit permitted to be issued under our working capital revolving credit facility. Fees for the letters of credit range from 2.00% to 2.50% and the commitment fees for unused working capital revolving credit commitments range from 0.38% to 0.50%.

Proceeds of loans under the $100,000,000 pre-funded revolving credit facility are available to provide financing for capital expenditures once we fully utilize $100,000,000 of restricted cash that was funded on the closing date of the Merger. At March 31, 2009 and December 31, 2008, we had fully utilized all of our restricted cash for capital expenditures, and we had borrowed $12,000,000 from our pre-funded revolving credit facility. This borrowing is recorded in "Current portion of long-term debt" in our Consolidated Balance Sheets at March 31, 2009 and December 31, 2008, as we were required to repay this outstanding loan in April 2009 using our "annual true cash flow," as defined in the credit agreement. This facility matures June 14, 2013. At each rate adjustment, we have the option to select the Base Rate plus 125 basis points or a Eurocurrency Rate plus 225 basis points for the borrowings under this facility. In either case, the interest rate is reduced by 25 basis points if our Moody’s Applicable Corporate Rating then most recently published is B1 or higher.

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CREDIT FACILITIES AND OTHER INDEBTEDNESS (continued)

Our senior secured credit facilities require us to comply with certain financial covenants, including a quarterly Total Leverage Ratio (“TLR”) test and an annual Minimum Free Cash Flow (“MFCF”) test. The TLR is the ratio of Consolidated Total Debt to Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization as defined in the senior secured credit facilities) and may not exceed 6.00 to 1.00. On an annual basis, if the Rent Adjusted Leverage Ratio is greater than or equal to 5.25 to1.00, our MFCF cannot be less than $75,000,000. MFCF is calculated as Consolidated EBITDA plus decreases in Consolidated Working Capital less Consolidated Interest Expense, Capital Expenditures (except for that funded by our senior secured pre-funded revolving credit facility), increases in Consolidated Working Capital and cash paid for taxes. (All of the above capitalized terms are as defined in the credit agreement). Our senior secured credit facilities agreement also includes negative covenants that, subject to significant exceptions, limit our ability and the ability of our restricted subsidiaries to: incur liens, make investments and loans, make capital expenditures (as described below), incur indebtedness or guarantees, engage in mergers, acquisitions and assets sales, declare dividends, make payments or redeem or repurchase equity interests, alter our business, engage in certain transactions with affiliates, enter into agreements limiting subsidiary distributions and prepay, redeem or purchase certain indebtedness. Our senior secured credit facilities contain customary representations and warranties, affirmative covenants and events of default. At March 31, 2009, we were in compliance with our debt covenants (see “Current Economic Challenges and Potential Impacts of Market Conditions” included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”).

Our capital expenditures are limited by the credit agreement. Our annual capital expenditure limits range from $200,000,000 to $250,000,000 with various carry-forward and carry-back allowances. Our annual expenditure limits may increase after an acquisition. However, if (i) the Rent Adjusted Leverage Ratio at the end of a fiscal year is greater than 5.25 to 1.00, (ii) the “annual true cash flows” are insufficient to repay fully our pre-funded revolving credit facility and (iii) the capital expenditure account has a zero balance, our capital expenditures will be limited to $100,000,000 for the succeeding fiscal year. This limitation will remain until there are no pre-funded revolving credit facility loans outstanding and the amount on deposit in the capital expenditures account is greater than zero or until the Rent Adjusted Leverage Ratio is less than 5.25 to 1.00.

The obligations under our senior secured credit facilities are guaranteed by each of our current and future domestic 100% owned restricted subsidiaries in our Outback Steakhouse, Carrabba’s Italian Grill and Cheeseburger in Paradise concepts and certain non-restaurant subsidiaries (the “Guarantors”) and by OSI HoldCo, our direct owner and an indirect, wholly-owned subsidiary of our Ultimate Parent. Subject to the conditions described below, the obligations are secured by a perfected security interest in substantially all of our assets and assets of the Guarantors and OSI HoldCo, in each case, now owned or later acquired, including a pledge of all of our capital stock, the capital stock of substantially all of our domestic wholly-owned subsidiaries and 65% of the capital stock of certain of our material foreign subsidiaries that are directly owned by us, OSI HoldCo, or a Guarantor. Also, we are required to provide additional guarantees of the senior secured credit facilities in the future from other domestic wholly-owned restricted subsidiaries if the consolidated EBITDA (earnings before interest, taxes, depreciation and amortization as defined in the senior secured credit facilities) attributable to our non-guarantor domestic wholly-owned restricted subsidiaries as a group exceeds 10% of our consolidated EBITDA as determined on a Company-wide basis. If this occurs, guarantees would be required from additional domestic wholly-owned restricted subsidiaries in such number that would be sufficient to lower the aggregate consolidated EBITDA of the non-guarantor domestic wholly-owned restricted subsidiaries as a group to an amount not in excess of 10% of our Company-wide consolidated EBITDA.

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CREDIT FACILITIES AND OTHER INDEBTEDNESS (continued)

On June 14, 2007, we issued senior notes in an original aggregate principal amount of $550,000,000 under an indenture among us, as issuer, OSI Co-Issuer, Inc., as co-issuer (“Co-Issuer”), Wells Fargo Bank, National Association, as trustee, and the Guarantors. Proceeds from the issuance of the senior notes were used to finance the Merger, and the senior notes mature on June 15, 2015. Interest is payable semiannually in arrears, at 10% per annum, in cash on each June 15 and December 15, commencing on December 15, 2007. Interest payments to the holders of record of the senior notes occur on the immediately preceding June 1 and December 1. Interest is computed on the basis of a 360-day year consisting of twelve 30-day months.

The senior notes are guaranteed on a senior unsecured basis by each restricted subsidiary that guarantees the senior secured credit facility. As of March 31, 2009 and December 31, 2008, all of our consolidated subsidiaries were restricted subsidiaries. The senior notes are general, unsecured senior obligations of us, Co-Issuer and the Guarantors and are equal in right of payment to all existing and future senior indebtedness, including the senior secured credit facility. The senior notes are effectively subordinated to all of our, Co-Issuer’s and the Guarantors’ secured indebtedness, including the senior secured credit facility, to the extent of the value of the assets securing such indebtedness. The senior notes are senior in right of payment to all of our, Co-Issuer’s and the Guarantors’ existing and future subordinated indebtedness.

The indenture governing the senior notes limits, under certain circumstances, our ability and the ability of Co-Issuer and our restricted subsidiaries to: incur liens, make investments and loans, incur indebtedness or guarantees, engage in mergers, acquisitions and assets sales, declare dividends, make payments or redeem or repurchase equity interests, alter our business, engage in certain transactions with affiliates, enter into agreements limiting subsidiary distributions and prepay, redeem or purchase certain indebtedness.

In accordance with the terms of the senior notes and the senior secured credit facility, our restricted subsidiaries are also subject to restrictive covenants. Under certain circumstances, we are permitted to designate subsidiaries as unrestricted subsidiaries, which would cause them not to be subject to the restrictive covenants of the indenture or the credit agreement. In April 2009, one of our restricted subsidiaries that operated six restaurants in Canada was designated as an unrestricted subsidiary.

Additional senior notes may be issued under the indenture from time to time, subject to certain limitations. Initial and additional senior notes issued under the indenture will be treated as a single class for all purposes under the indenture, including waivers, amendments, redemptions and offers to purchase.

We filed a Registration Statement on Form S-4 (which became effective June 2, 2008) for an exchange offer relating to our senior notes. As a result, we are required to file reports under Section 15(d) of the Securities Exchange Act of 1934, as amended.

We may redeem some or all of the senior notes on and after June 15, 2011 at the redemption prices (expressed as percentages of principal amount of the senior notes to be redeemed) listed below, plus accrued and unpaid interest thereon and additional interest, if any, to the applicable redemption date.

Year	Percentage
2011	105.0%
2012	102.5%
2013 and thereafter	100.0%

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CREDIT FACILITIES AND OTHER INDEBTEDNESS (continued)

We also may redeem all or part of the senior notes at any time prior to June 15, 2011, at a redemption price equal to 100% of the principal amount of the senior notes redeemed plus the applicable premium as of, and accrued and unpaid interest and additional interest, if any, to the date of redemption.

Upon a change in control as defined in the indenture, we would be required to make an offer to purchase all of the senior notes at a price in cash equal to 101% of the aggregate principal amount thereof plus accrued interest and unpaid interest and additional interest, if any, to the date of purchase. If we were required to make this offer, we may not have sufficient financial resources to purchase all of the senior notes tendered and may be limited by our senior secured facilities from doing so. See "Risk Factors" in our 2008 10-K for additional information.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Between November 18, 2008 and November 21, 2008, we purchased on the open market and extinguished $61,780,000 in aggregate principal amount of our senior notes for $11,711,000, representing an average of 19.0% of face value, and $2,729,000 of accrued interest.

On February 18, 2009, we commenced a cash tender offer to purchase the maximum aggregate principal amount of our senior notes that we could purchase for $73,000,000, excluding accrued interest. The tender offer was made upon the terms and subject to the conditions set forth in the Offer to Purchase dated February 18, 2009, as amended March 5 and March 20, 2009, and the related Letter of Transmittal. The tender offer expired on March 20, 2009, and we accepted for purchase $240,145,000 in principal amount of our senior notes. We paid $72,998,000 for the senior notes accepted for purchase and $6,671,000 of accrued interest. We recorded a gain from the extinguishment of our debt of $158,061,000 in the line item "Gain on extinguishment of debt" in our Consolidated Statement of Operations for the three months ended March 31, 2009. The gain was reduced by $6,117,000 for the pro rata portion of unamortized deferred financing fees that related to the extinguished senior notes and by $2,969,000 of fees related to the tender offer. The principal balance of senior notes outstanding at March 31, 2009 and December 31, 2008 was $248,075,000 and $488,220,000, respectively. The purpose of the tender offer was to reduce the principal amount of debt outstanding, reduce the related debt service obligations and improve our financial covenant position under our senior secured credit facilities. Annual interest expense will be reduced by approximately $30,000,000 as a result of the extinguishment of our senior notes through our open market purchases and our tender offer.

We funded the tender offer with (i) cash on hand and (ii) proceeds from a contribution (the "Contribution") of $47,000,000 from our direct owner, OSI HoldCo. The Contribution was funded through distributions to OSI HoldCo by one of its subsidiaries that owns (indirectly through subsidiaries) approximately 340 restaurant properties that are sub-leased to us.

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DEBT GUARANTEES

We were the guarantor of an uncollateralized line of credit that matured December 31, 2008 and permitted borrowing of up to $35,000,000 by a limited liability company, T-Bird, which is owned by the principal of each of our California franchisees of Outback Steakhouse restaurants. The line of credit bore interest at rates ranging from 50 to 90 basis points over LIBOR. We were required to consolidate T-Bird effective January 1, 2004 upon adoption of FIN 46R. At December 31, 2008, the outstanding balance on the line of credit was approximately $33,283,000 and was included in our Consolidated Balance Sheet. T-Bird used proceeds from the line of credit for loans to its affiliates, T-Bird Loans, that serve as general partners of 42 franchisee limited partnerships, which currently own and operate 41 Outback Steakhouse restaurants. The funds were ultimately used for the purchase of real estate and construction of buildings to be opened as Outback Steakhouse restaurants and leased to the franchisees' limited partnerships. According to the terms of the line of credit, T-Bird was able to borrow, repay, re-borrow or prepay advances at any time before the termination date of the agreement.

On January 12, 2009, we received notice that an event of default had occurred in connection with the line of credit because T-Bird failed to pay the outstanding balance of $33,283,000 due on the maturity date. On February 17, 2009, we terminated our guarantee obligation by purchasing the note and all related rights from the lender for $33,311,000, which included the principal balance due on maturity and accrued and unpaid interest. In anticipation of receiving a notice of default subsequent to the end of the year, we recorded a $33,150,000 allowance for the T-Bird Loan receivables during the fourth quarter of 2008. Since T-Bird defaulted on its line of credit, we have the right to call into default all of our franchise agreements in California and exercise any rights and remedies under those agreements as well as the right to recourse under loans T-Bird has made to individual corporations in California which own the land and/or building that is leased to those franchise locations. Therefore, on February 19, 2009, we filed suit against T-Bird and its affiliates in Florida state court seeking, among other remedies, to enforce the note and collect on the T-Bird Loans.

On February 20, 2009, T-Bird and certain of its affiliates filed suit against us and certain of our officers and affiliates. The suit claims, among other things, that we made various misrepresentations and breached certain oral promises allegedly made by us and certain of our officers to T-Bird and its affiliates that we would acquire the restaurants owned by T-Bird and its affiliates and until that time we would maintain financing for the restaurants that would be nonrecourse to T-Bird and its affiliates. The complaint seeks damages in excess of $100,000,000, exemplary or punitive damages, and other remedies. We and the other defendants believe the suit is without merit, and we intend to defend the suit vigorously.

As a result of the lawsuits described above, we had to make certain assumptions and estimates in our consolidation of T-Bird at and for the three months ended March 31, 2009, as T-Bird did not provide us with financial statements for the first quarter of 2009. We are not aware of any events or transactions for T-Bird that are not reflected in our consolidated financial statements at and for the three months ended March 31, 2009 that would materially affect these financial statements.

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DEBT GUARANTEES (continued)

The consolidated financial statements include the accounts and operations of our Roy’s consolidated venture in which we have a less than majority ownership. We consolidate this venture because we control the executive committee (which functions as a board of directors) through representation on the board by related parties, and we are able to direct or cause the direction of management and operations on a day-to-day basis. Additionally, the majority of capital contributions made by our partner in the Roy’s consolidated venture have been funded by loans to the partner from a third party which we are required to guarantee. The guarantee provides us control through our collateral interest in the joint venture partner’s membership interest. As a result of our controlling financial interest in this venture, it is included in our consolidated financial statements. The portion of income or loss attributable to the noncontrolling interest is eliminated in the line item in our Consolidated Statements of Operations entitled “Net income attributable to the noncontrolling interest.” All material intercompany balances and transactions have been eliminated.

We are the guarantor of an uncollateralized line of credit that permits borrowing of up to a maximum of $24,500,000 for our joint venture partner, RY-8, in the development of Roy's restaurants. The line of credit originally expired in December 2004 and was amended for a fourth time on April 1, 2009 to a revised termination date of April 15, 2013. According to the terms of the credit agreement, RY-8 may borrow, repay, re-borrow or prepay advances at any time before the termination date of the agreement. On the termination date of the agreement, the entire outstanding principal amount of the loan then outstanding and any accrued interest is due. At March 31, 2009 and December 31, 2008, the outstanding balance on the line of credit was $24,500,000.

RY-8’s obligations under the line of credit are unconditionally guaranteed by us and Roy’s Holdings, Inc. (“RHI”). If an event of default occurs, as defined in the agreement, then the total outstanding balance, including any accrued interest, is immediately due from the guarantors. As of March 31, 2009, we have made interest payments, paid line of credit renewal fees and have made capital expenditures for additional restaurant development on behalf of RY-8 totaling approximately $4,622,000 because the joint venture partner’s $24,500,000 line of credit was fully extended. Additional payments on behalf of RY-8 for these items may be required in the future. We recorded a long-term contingent obligation and a loss from this guarantee of $24,500,000 in our consolidated financial statements at and for the three months ended March 31, 2009. At March 31, 2009 and December 31, 2008, $24,500,000 of our $150,000,000 working capital revolving credit facility was committed for the issuance of a letter of credit for this guarantee.

If an event of default occurs and RY-8 is unable to pay the outstanding balance owed, we would, as guarantor, be liable for this balance. However, in conjunction with the credit agreement, RY-8 and RHI have entered into an Indemnity Agreement and a Pledge of Interest and Security Agreement in our favor. These agreements provide that if we are required to perform our obligation as guarantor pursuant to the credit agreement, then RY-8 and RHI will indemnify us against all losses, claims, damages or liabilities which arise out of or are based upon our guarantee of the credit agreement. RY-8’s and RHI’s obligations under these agreements are collateralized by a first priority lien upon and a continuing security interest in any and all of RY-8’s interests in the joint venture.

Pursuant to our joint venture agreement for the development of Roy’s restaurants, RY-8, our joint venture partner, has the right to require us to purchase up to 25% of RY-8’s interests in the joint venture at any time after June 17, 2004 and up to another 25% (total 50%) of its interest in the joint venture at any time after June 17, 2009. Our purchase price would be equal to the fair market value of the joint venture as of the date that RY-8 exercised its put option multiplied by the percentage purchased.

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OSI Restaurant Partners, LLC
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources (continued)

DEBT GUARANTEES (continued)

Our Korean subsidiary is the guarantor of debt owed by landlords of two of our Outback Steakhouse restaurants in Korea. We are obligated to purchase the building units occupied by our two restaurants in the event of default by the landlords on their debt obligations, which were approximately $1,000,000 and $1,100,000 as of March 31, 2009 $1,100,000 and $1,200,000 as of December 31, 2008. Under the terms of the guarantees, our monthly rent payments are deposited with the lender to pay the landlords' interest payments on the outstanding balances. The guarantees are in effect until the earlier of the date the principal is repaid or the entire lease term of ten years for both restaurants, which expire in 2014 and 2016. The guarantees specify that upon default the purchase price would be a maximum of 130% of the landlord's outstanding debt for one restaurant and the estimated legal auction price for the other restaurant, approximately $1,300,000 and $1,600,000, respectively, as of March 31, 2009 and approximately $1,400,000 and $1,700,000, respectively, as of December 31, 2008. If we were required to perform under either guarantee, we would obtain full title to the corresponding building unit and could liquidate the property, each having an estimated fair value of approximately $2,100,000 and $1,900,000, respectively, as of March 31, 2009 and approximately $2,300,000 and $2,100,000, respectively, as of December 31, 2008. We have considered these guarantees and accounted for them in accordance with FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). We have various depository and banking relationships with the lender.

We are not aware of any non-compliance with the underlying terms of the borrowing agreements for which we currently provide a guarantee that would result in us having to perform in accordance with the terms of the guarantee.

FAIR VALUE MEASUREMENTS

SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"), emphasizes that fair value is a market-based measurement, not an entity-specific measurement. As defined in SFAS No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). To measure fair value, we incorporate assumptions that market participants would use in pricing the asset or liability, and utilize market data to the maximum extent possible. In accordance with SFAS No. 157, measurement of fair value incorporates nonperformance risk (i.e., the risk that an obligation will not be fulfilled). In measuring fair value, we reflect the impact of our own credit risk on our liabilities, as well as any collateral. We also consider the credit standing of our counterparties in measuring the fair value of our assets.

We are highly leveraged and exposed to interest rate risk to the extent of our variable-rate debt. In September 2007, we entered into an interest rate collar with a notional amount of $1,000,000,000 as a method to limit the variability of our $1,310,000,000 variable-rate term loan. The collar consists of a LIBOR cap of 5.75% and a LIBOR floor of 2.99%. The collar's first variable-rate set date was December 31, 2007, and the option pairs expire at the end of each calendar quarter beginning March 31, 2008 and ending September 30, 2010. The quarterly expiration dates correspond to the scheduled amortization payments of our term loan. We paid $3,834,000 of interest expense for the three months ended March 31, 2009 as a result of the quarterly expiration of the collar's option pairs. We record marked-to-market changes in the fair value of the derivative instrument in earnings in the period of change in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS No. 133"). We included $23,598,000 and $24,285,000 in the line item “Accrued expenses” in our Consolidated Balance Sheets as of March 31, 2009 and December 31, 2008, respectively, and included $687,000 of net interest income and $10,848,000 of net interest expense for the three months ended March 31, 2009 and 2008, respectively, in the line item “Interest expense” in our Consolidated Statement of Operations for the mark-to-market effects of this derivative instrument. A SFAS No. 157 credit valuation adjustment of $2,939,000 and $4,529,000 decreased the liability recorded as of March 31, 2009 and December 31, 2008.

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Liquidity and Capital Resources (continued)

FAIR VALUE MEASUREMENTS (continued)

The valuation of our interest rate collar is based on a discounted cash flow analysis of the expected cash flows of the derivative. This analysis reflects the contractual terms of the collar, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities.

Although we have determined that the majority of the inputs used to value our interest rate collar fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with this derivative utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. However, as of March 31, 2009, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our interest rate collar derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of this derivative. As a result, we have determined that our interest rate collar derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Additionally, our restaurants are dependent upon energy to operate and are affected by changes in energy prices, including natural gas. We use derivative instruments to mitigate some of our overall exposure to material increases in natural gas prices. The valuation of our natural gas derivatives is based on quoted exchange prices and is classified in Level 2 of the fair value hierarchy.

Our third party distributor charges us for the diesel fuel used to deliver inventory to our restaurants. We enter into forward contracts to procure certain amounts of this diesel fuel at set prices in order to mitigate our exposure to unpredictable fuel prices. The effects of this derivative instrument were immaterial to our financial statements for all periods presented.

We invest our excess cash in money market funds classified as Cash and cash equivalents or restricted cash in our Consolidated Balance Sheet at March 31, 2009 at a net value of 1:1 for each dollar invested. The fair value of the majority of the investment in the money market fund is determined by using quotes for similar assets in an active market. As a result, we have determined that the majority of the inputs used to value this investment fall within Level 2 of the fair value hierarchy. As of March 31, 2009, $29,963,000 of our money market investments were guaranteed by the federal government under the Treasury Temporary Guarantee Program for Money Market Funds. This program expires on September 18, 2009.

In accordance with SFAS No. 144, we recorded $5,130,000 of impairment charges as a result of the fair value measurement of our long-lived assets held and used on a nonrecurring basis during the three months ended March 31, 2009.

We used a discounted cash flow model to estimate the fair value of these long-lived assets at March 31, 2009. Discount rate and growth rate assumptions are derived from current economic conditions, expectations of management and projected trends of current operating results. As a result, we have determined that the majority of the inputs used to value our long-lived assets held and used are unobservable inputs that fall within Level 3 of the fair value hierarchy.

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OSI Restaurant Partners, LLC
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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Liquidity and Capital Resources (continued)

STOCK-BASED AND DEFERRED COMPENSATION PLANS

Under our general manager partner program, upon completion of each five-year term of employment, our general manager and chef partners are eligible to participate in a deferred compensation program (the Partner Equity Plan or "PEP"). We will require the use of capital to fund the PEP as each general manager and chef partner earns a contribution and currently estimate funding requirements ranging from $15,000,000 to $20,000,000 in each of the next two years of the plan. Future funding requirements may vary significantly depending on timing of partner contracts, forfeiture rates and numbers of partner participants and may differ materially from estimates.

Upon the closing of the Merger, certain stock options that had been granted to managing partners and chef partners under a pre-merger managing partner stock plan (the "MP Stock Plan") upon completion of a previous employment contract and at the beginning of an employment agreement were converted into the right to receive cash in the form of a "Supplemental PEP" contribution and a "Supplemental Cash" payment, respectively.

Upon the closing of the Merger, all outstanding, unvested partner employment grants of restricted stock under the MP Stock Plan were converted into the right to receive cash on a deferred basis. Additionally, certain members of management were given the option to either convert some or all of their restricted stock granted under the pre-merger stock plan in the same manner as managing partners or convert some or all of it into restricted stock of KHI. Grants of restricted stock under the pre-merger stock plan that converted into the right to receive cash are referred to as "Restricted Stock Contributions."

As of March 31, 2009, our total liability with respect to obligations under the PEP, Supplemental PEP, Supplemental Cash and Restricted Stock Contributions was approximately $83,541,000, of which approximately $12,304,000 and $71,237,000 was included in the line items "Accrued expenses" and "Other long-term liabilities," respectively, in our Consolidated Balance Sheet. As of December 31, 2008, our total liability with respect to obligations under the PEP, Supplemental PEP, Supplemental Cash and Restricted Stock Contributions was approximately $83,858,000, of which approximately $13,302,000 and $70,556,000 was included in the line items "Accrued expenses" and "Other long-term liabilities," respectively, in our Consolidated Balance Sheet. Partners and management may allocate the contributions into benchmark investment funds, and these amounts due to participants will fluctuate according to the performance of their allocated investments and may differ materially from the initial contribution and current obligation.

As of March 31, 2009 and December 31, 2008, we had approximately $57,767,000 and $59,086,000, respectively, in various corporate owned life insurance policies and another $290,000 and $2,579,000, respectively, of restricted cash, both of which are held within an irrevocable grantor or "rabbi" trust account for settlement of our obligations under the PEP, Supplemental PEP and Restricted Stock Contributions. We are the sole owner of any assets within the rabbi trust and participants are considered our general creditors with respect to assets within the rabbi trust.

Certain partners participating in the PEP were to receive common stock ("Partner Shares") upon completion of their employment contract. Upon closing of the Merger, these partners now receive a deferred payment of cash instead of common stock upon completion of their current employment term. Partners will not receive the deferred cash payment if they resign or are terminated for cause prior to completing their current employment terms. There will not be any future earnings or losses on these amounts prior to payment to the partners. The amount accrued for the

Partner Shares obligation is $4,909,000 and $4,587,000 as of March 31, 2009 and December 31, 2008, respectively, and is included in the line item “Other long-term liabilities” in our Consolidated Balance Sheets.

As of March 31, 2009 and December 31, 2008, there is approximately $31,792,000 and $28,501,000, respectively, of unfunded obligations related to the aforementioned contribution liabilities that may require the use of future cash resources.

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STOCK-BASED AND DEFERRED COMPENSATION PLANS (continued)

In November 2008, we announced a plan to accelerate the distribution of PEP and Supplemental PEP benefits to certain active participants. Under the revised PEP, active general managers and chef partners who complete an employment contract on or after January 1, 2009 and who remain employed with us until their PEP accounts are fully distributed will receive their PEP distributions according to the following schedule:

- One year through four years after completion of employment contract – each year, lesser of $10,000 or remaining account balance;
- Five years through six years after completion of employment contract – each year, lesser of $20,000 or remaining account balance; and
- Seven years after completion of employment contract, participants will receive their entire remaining account balance.

General managers and chef partners who complete an employment contract on or after January 1, 2009 and who do not remain employed with us until their PEP accounts are fully distributed will receive their entire PEP account balance in the seventh year after completion of their employment contract. Their PEP account balance will be determined as of the date of termination of employment, subject to any subsequent increases or decreases based on the performance of their investment elections.

DIVIDENDS

Payment of dividends is prohibited under our credit agreements, except for certain limited circumstances.

Recently Issued Financial Accounting Standards

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements” (“SFAS No. 157”), which defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. The provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007 for financial assets and liabilities or for nonfinancial assets and liabilities that are re-measured at least annually. In February 2008, the FASB issued FASB Staff Position (“FSP”) SFAS No. 157-2, “Effective Date of FASB Statement No. 157” to defer the effective date for nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a non-recurring basis until fiscal years beginning after November 15, 2008. Beginning January 1, 2009, we applied SFAS No. 157 to nonfinancial assets and liabilities that are recognized or disclosed at fair value on a nonrecurring basis. The adoption of SFAS No. 157 did not have a material impact on our consolidated financial statements.

In October 2008, the FASB issued FSP SFAS No. 157-3, “Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active,” which clarifies the application of SFAS No. 157 in a market that is not active and provides guidance for determining the fair value of a financial asset when the market for that financial asset is not active. This FSP was effective upon issuance, but it did not impact our consolidated financial statements. In April 2009, the FASB issued FSP SFAS No. 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly” (“FSP SFAS No.

157-4”). FSP SFAS No. 157-4 provides additional guidance on measuring fair value when there has been a significant decrease in the volume and level of activity for an asset or liability, and for identifying transactions that are not orderly. The guidance for FSP SFAS No. 157-4 also emphasizes that the objective of a fair value measurement will remain in accordance with SFAS No. 157’s provisions, even when there has been a significant decrease in market activity and regardless of the valuation technique used. FSP SFAS No. 157-4 is effective for interim and annual reporting periods ending after June 15, 2009. We do not expect FSP SFAS No. 157-4 to materially affect our consolidated financial statements.

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Recently Issued Financial Accounting Standards (continued)

In December 2007, the FASB issued SFAS No. 141 (Revised), "Business Combinations" ("SFAS No. 141R"), a revision of SFAS No. 141. SFAS No. 141R retains the fundamental requirements of SFAS No. 141, but revises certain elements including: the recognition and fair value measurement as of the acquisition date of assets acquired and liabilities assumed, the accounting for goodwill and financial statement disclosures. In April 2009, the FASB issued FSP SFAS No. 141(R)-1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies" ("FSP SFAS No. 141(R)-1"), which amends and clarifies the provisions in SFAS No. 141R relating to the initial recognition and measurement, subsequent measurement and accounting, and disclosures for assets and liabilities arising from contingencies in business combinations. The provisions of FSP SFAS No. 141(R)-1 are effective for contingent assets and contingent liabilities acquired in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of SFAS No. 141R and FSP SFAS No. 141(R)-1 on January 1, 2009 did not have an effect on our consolidated financial statements, as we did not engage in any business combinations during the three months ended March 31, 2009. SFAS No. 141R and FSP SFAS No. 141(R)-1 will only impact our accounting should we acquire any businesses in the future.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – Including an Amendment of ARB No. 51" ("SFAS No. 160"). SFAS No. 160 modifies the presentation of noncontrolling interests in the consolidated balance sheet and the consolidated statement of operations. It requires noncontrolling interests to be clearly identified, labeled and included separately from the parent's equity (deficit) and consolidated net income (loss). The presentation and disclosure requirements of SFAS No. 160 have been applied retrospectively. Other than the change in presentation of noncontrolling interests, the adoption of SFAS No. 160 on January 1, 2009 did not have a material impact on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS No. 161"), an amendment of SFAS No. 133. SFAS No. 161 is intended to enable investors to better understand how derivative instruments and hedging activities affect the entity's financial position, financial performance and cash flows by enhancing disclosures. SFAS No. 161 requires disclosure of fair values of derivative instruments and their gains and losses in a tabular format, disclosure of derivative features that are credit-risk-related to provide information about the entity's liquidity and cross-referencing within the footnotes to help financial statement users locate important information about derivative instruments. The adoption of SFAS No. 161 on January 1, 2009 did not have a material impact on our consolidated financial statements.

In April 2008, the FASB issued FSP SFAS No. 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP SFAS No. 142-3"). FSP SFAS No. 142-3 amends the factors an entity should consider when developing renewal or extension assumptions for determining the useful life of recognized intangible assets under SFAS No. 142, "Goodwill and Other Intangible Assets." FSP SFAS No. 142-3 is intended to improve the consistency between the useful life of recognized intangible assets under SFAS No. 142 and the period of expected cash flows used to measure the fair value of assets under SFAS No. 141R and other U.S. GAAP. The adoption of FSP SFAS No. 142-3 on January 1, 2009 did not have a material impact on our consolidated financial statements.

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Recently Issued Financial Accounting Standards (continued)

In November 2008, the FASB ratified the consensus on EITF Issue No. 08-6, “Equity Method Investment Accounting Considerations” (“EITF No. 08-6”), which provides guidance on and clarification of accounting and impairment considerations involving equity method investments under SFAS No. 141R and SFAS No. 160. EITF No. 08-6 provides guidance on how the equity method investor should initially measure the equity method investment, account for impairment charges of the equity method investment and account for a share issuance by the investee. The adoption of EITF No. 08-6 on January 1, 2009 did not have a material impact on our consolidated financial statements.

In April 2009, the FASB issued FSP SFAS No. 107-1 and Accounting Principles Board (“APB”) Opinion No. 28-1, “Interim Disclosures about Fair Value of Financial Instruments” (“FSP SFAS No. 107-1 and APB Opinion No. 28-1”). FSP SFAS No. 107-1 and APB Opinion No. 28-1 amends SFAS No. 107, “Disclosures about Fair Value of Financial Instruments” and APB Opinion No. 28, “Interim Financial Reporting,” to require disclosures about fair value of financial instruments for interim reporting periods. The provisions of FSP SFAS No. 107-1 and APB Opinion No. 28-1 are effective for interim reporting periods ending after June 15, 2009. We do not expect FSP SFAS No. 107-1 and APB Opinion No. 28-1 to materially affect our consolidated financial statements.

Cautionary Statement

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Exchange Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements represent OSI Restaurant Partners, LLC’s expectations or beliefs concerning future events, including the following: any statements regarding future sales, costs and expenses and gross profit percentages, any statements regarding the continuation of historical trends, any statements regarding the expected number of future restaurant openings and expected capital expenditures and any statements regarding the sufficiency of our cash balances and cash generated from operating and financing activities for future liquidity and capital resource needs. Without limiting the foregoing, the words “believes,” “anticipates,” “plans,” “expects,” “should,” “estimates” and si expressions are intended to identify forward-looking statements.

Our actual results could differ materially from those stated or implied in the forward-looking statements included elsewhere in this report as a result, among other things, of the following:

(i) Our substantial leverage and significant restrictive covenants in our various credit facilities could adversely affect our ability to raise additional capital to fund our operations, limit our ability to make capital expenditures to invest in new restaurants, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable-rate debt and prevent us from meeting our obligations under the senior notes;

(ii) The ongoing disruptions in the financial markets and the state of the economy may affect our liquidity by adversely impacting numerous items that include, but are not limited to: consumer confidence and spending patterns; the availability of credit presently arranged from our revolving credit facilities; the future cost and availability of credit; interest rates; foreign currency exchange rates; and the liquidity or operations of our third-party vendors and other service providers;

(iii) The restaurant industry is a highly competitive industry with many well-established competitors;

(iv) Our results can be impacted by changes in consumer tastes and the level of consumer acceptance of our restaurant concepts (including consumer tolerance of price increases); local, regional, national and international economic conditions; the seasonality of our business; demographic trends; traffic patterns and our ability to effectively respond in a timely manner to changes in traffic patterns; changes in consumer dietary habits; employee availability; the cost of advertising and media; government actions and policies; inflation; interest rates; exchange rates; and increases in various costs, including construction and real estate costs;

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Cautionary Statement (continued)

(v) Our results can be affected by consumer reaction to public health issues such as an outbreak of H1N1 flu (swine flu);

(vi) Our results can be affected by consumer perception of food safety;

(vii) Our ability to expand is dependent upon various factors such as the availability of attractive sites for new restaurants; ability to obtain appropriate real estate sites at acceptable prices; ability to obtain all required governmental permits including zoning approvals and liquor licenses on a timely basis; impact of government moratoriums or approval processes, which could result in significant delays; ability to obtain all necessary contractors and subcontractors; union activities such as picketing and hand billing that could delay construction; the ability to generate or borrow funds; the ability to negotiate suitable lease terms; the ability to recruit and train skilled management and restaurant employees; and the ability to receive the premises from the landlord’s developer without any delays;

(viii) Weather and acts of God could result in construction delays and also adversely affect the results of one or more restaurants for an indeterminate amount of time;

(ix) Commodities, including but not limited to, such items as beef, chicken, shrimp, pork, seafood, dairy, potatoes, onions and energy supplies, are subject to fluctuation in price and availability and price could increase or decrease more than we expect;

(x) Minimum wage increases could cause a significant increase in our labor costs; and/or

(xi) Our results can be impacted by tax and other legislation and regulation in the jurisdictions in which we operate and by accounting standards or pronouncements.

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OSI Restaurant Partners, LLC

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in interest rates on debt, changes in foreign currency exchange rates and changes in commodity prices. We have not experienced a material change in market risk from changes in interest rates on debt, changes in foreign currency exchange rates and changes in commodity prices since December 31, 2008. See "Quantitative and Qualitative Disclosures about Market Risk" in our Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission on March 31, 2009 for further information about market risk.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have established and maintain disclosure controls and procedures that are designed to ensure that information relating to the Company and our subsidiaries required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 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 Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2009.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our most recent quarter ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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OSI Restaurant Partners, LLC
PART II: OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to legal proceedings, claims and liabilities, such as liquor liability, sexual harassment and slip and fall cases, which arise in the ordinary course of business and are generally covered by insurance. In the opinion of management, the amount of ultimate liability with respect to those actions will not have a materially adverse impact on our financial position or results of operations and cash flows. In addition, we are subject to the following legal proceedings and actions, which depending on the outcomes that are uncertain at this time, could have a material adverse effect on our financial condition.

Outback Steakhouse of Florida, Inc. and OS Restaurant Services, Inc. are the defendants in a class action lawsuit brought by the U.S. Equal Employment Opportunity Commission (EEOC v. Outback Steakhouse of Florida, Inc. and OS Restaurant Services, Inc., U.S. District Court, District of Colorado, filed September 28, 2006) alleging that they have engaged in a pattern or practice of discrimination against women on the basis of their gender with respect to hiring and promoting into management positions as well as discrimination against women in terms and condition of their employment and seeks damages and injunctive relief. In addition to the EEOC, two former employees have successfully intervened as party plaintiffs in the case. On November 3, 2007, the EEOC's nationwide claim of gender discrimination was dismissed and the scope of the suit was limited to the states of Colorado, Wyoming and Montana. However, we expect the EEOC to pursue claims of gender discrimination against us on a nationwide basis through other proceedings. Litigation is, by its nature, uncertain both as to time and expense involved and as to the final outcome of such matters. While we intend to vigorously defend ourselves in this lawsuit, protracted litigation or unfavorable resolution of this lawsuit could have a material adverse effect on our business, results of operations or financial condition and could damage our reputation with our employees and our customers.

On February 21, 2008, a purported class action complaint captioned Ervin, et al. v. OS Restaurant Services, Inc. was filed in the U.S. District Court, Northern District of Illinois. This lawsuit alleges violations of state and federal wage and hour law in connection with tipped employees and overtime compensation and seeks relief in the form of unspecified back pay and attorney fees. It alleges a class action under state law and a collective action under federal law. While we intend to vigorously defend ourselves, it is not possible at this time to reasonably estimate the possible loss or range of loss, if any.

In March 2008, one of our subsidiaries received a notice of proposed assessment of employment taxes from the Internal Revenue Service ("IRS") for calendar years 2004 through 2006. The IRS asserts that certain cash distributions paid to our general manager partners, chef partners, and area operating partners who hold partnership interests in limited partnerships with our affiliates should have been treated as wages and subjected to employment taxes. We believe that we have complied and continue to comply with the law pertaining to the proper federal tax treatment of partner distributions. In May 2008, we filed a protest of the proposed employment tax assessment. Because we are at a preliminary stage of the administrative process for resolving disputes with the IRS, we cannot, at this time, reasonably estimate the amount, if any, of additional employment taxes or other interest, penalties or additions to tax that would ultimately be assessed at the conclusion of this process. If the IRS examiner's position were to be sustained, the additional employment taxes and other amounts that would be assessed would be material.

On December 29, 2008, American Restaurants, Inc. ("AR") filed a Petition with the United States District Court for the Southern District of Florida, captioned American Restaurants, Inc. v. Outback Steakhouse Int'l, L.P., seeking confirmation of a purported November 26, 2008 arbitration award against Outback Steakhouse International, L.P. ("Outback International"), our indirect wholly-owned subsidiary, in the amount of $97,997,450, plus interest from

August 7, 2006. The dispute that led to the purported award involved Outback International's alleged wrongful termination in 1998 of a Restaurant Franchise Agreement (the "Agreement") entered into in 1996 concerning one restaurant in Argentina. On February 20, 2009, Outback International filed its Opposition to AR's Petition.

Outback International believes that the purported arbitration award resulted from a process that materially violated the terms of the Agreement, and that the arbitrator who issued the purported award violated Outback International's rights to due process. Outback International intends to contest vigorously the validity and enforceability of the purported arbitration award in the courts of both the United States and Argentina.

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OSI Restaurant Partners, LLC
PART II: OTHER INFORMATION

Item 1. Legal Proceedings (continued)

On December 9, 2008, in accordance with the procedure provided under Argentine law, Outback International filed with the arbitrator a motion seeking leave to file an appeal to nullify the purported award. On February 27, 2009, the arbitrator denied Outback International's motion. On March 16, 2009, Outback International filed a direct appeal with the Argentine Commercial Court of Appeals challenging the arbitrator's decision to deny Outback International's request to file an appeal. Outback International has requested that the court declare that enforcement of the award is suspended during the pendency of the appeal.

Based in part on legal opinions Outback International has received from Argentine counsel, we do not expect the arbitration award or the petition seeking its confirmation to have a material adverse effect on our results of operations, financial condition or cash flows. However, litigation is inherently uncertain and the ultimate resolution of this matter cannot be guaranteed.

On February 19, 2009, we filed an action in the Circuit Court for the Thirteenth Judicial District of Florida in Hillsborough County against T-Bird Nevada, LLC ("T-Bird") and its affiliates. T-Bird is a limited liability company that is owned by the principal of the franchisee of each of the California Outback Steakhouse restaurants. The action seeks payment on a promissory note made by T-Bird that we purchased from T-Bird's former lender. The principal balance on the promissory note, plus accrued and unpaid interest, is approximately $33,000,000. The action seeks, among other remedies, to enforce the note. See "Debt Guarantees" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion.

On February 20, 2009, T-Bird and certain of its affiliates filed suit against us and certain of our officers and affiliates in the Superior Court of the State of California, County of Los Angeles. The suit claims, among other things, that we made various misrepresentations and breached certain oral promises allegedly made by us and certain of our officers to T-Bird and its affiliates that we would acquire the restaurants owned by T-Bird and its affiliates and until that time we would maintain financing for the restaurants that would be nonrecourse to T-Bird and its affiliates. The complaint seeks damages in excess of $100,000,000, exemplary or punitive damages, and other remedies. We and the other defendants believe the suit is without merit, and we intend to defend the suit vigorously.

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OSI Restaurant Partners, LLC
PART II: OTHER INFORMATION

Item 6. Exhibits

Number	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002[1]
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002[1]

1 These certifications are not deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. These certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates them by reference.

The registrant hereby undertakes to furnish supplementally a copy of any omitted schedule or other attachment to the Securities and Exchange Commission upon request.

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SIGNATURE

Pursuant to the requirements 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.

Date: May 15, 2009	OSI RESTAURANT PARTNERS, LLC
	By: /s/ Dirk A. Montgomery Dirk A. Montgomery Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)