FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

OSI RESTAURANT PARTNERS, LLC
CIK:**874691**| IRS No.: **593061413** | State of Incorp.:**DE** | Fiscal Year End: **1231**
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SIC: **5812** Eating places

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

FORM 10-Q

(Mark One)

[X] **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended **June 30, 2010**
Or
[ ] **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from ______ to ______

Commission File Number: 1-15935

OSI RESTAURANT PARTNERS, LLC

(Exact name of registrant as specified in its charter)

DELAWARE	**59-3061413**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2202 North West Shore Boulevard, Suite 500, Tampa, Florida 33607
(Address of principal executive offices) (Zip Code)

(813) 282-1225
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☐ NO ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐

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

As of August 13, 2010, the registrant has 100 Common Units, no par value, outstanding (all of which are owned by OSI HoldCo, Inc., the registrant's direct owner), and none are publicly traded.

OSI RESTAURANT PARTNERS, LLC

INDEX TO QUARTERLY REPORT ON FORM 10-Q
For the Quarterly Period Ended June 30, 2010
(Unaudited)

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PART I — FINANCIAL INFORMATION

PART I: FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

OSI Restaurant Partners, LLC
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT COMMON UNITS, UNAUDITED)

	JUNE 30, 2010	DECEMBER 31, 2009
ASSETS		
Current Assets		
Cash and cash equivalents	$ 137,643	$ 289,162
Current portion of restricted cash	5,330	3,989
Inventories	47,326	57,223
Deferred income tax assets	28,919	38,644
Other current assets, net	84,437	95,494
Total current assets	303,655	484,512
Property, fixtures and equipment, net	846,546	888,738
Investments in and advances to unconsolidated affiliates, net	24,772	22,718
Goodwill	448,722	448,722
Intangible assets, net	585,090	592,293
Other assets, net	134,979	148,046
Total assets	2,343,764	2,585,029
LIABILITIES AND DEFICIT		
Current Liabilities		
Accounts payable	107,744	107,147
Accrued and other current liabilities	164,387	218,560
Current portion of accrued buyout liability	11,091	15,111
Unearned revenue	148,208	237,580
Current portion of long-term debt	117,314	134,333
Total current liabilities	548,744	712,731
Partner deposit and accrued buyout liability	109,674	108,926
Deferred rent	76,283	69,801
Deferred income tax liability	188,304	198,081
Long-term debt	1,283,502	1,369,319
Guaranteed debt	24,500	24,500
Other long-term liabilities, net	218,960	228,495
Total liabilities	2,449,967	2,711,853
Commitments and contingencies		
Deficit		
OSI Restaurant Partners, LLC Unitholder's Deficit		
Common units, no par value, 100 units authorized, issued and outstanding as of June 30, 2010 and December 31, 2009	-	-
Additional paid-in capital	717,698	713,969
Accumulated deficit	(820,233)	(842,966)
Accumulated other comprehensive loss	(19,781)	(16,799)
Total OSI Restaurant Partners, LLC unitholder's deficit	(122,316)	(145,796)
Noncontrolling interests	16,113	18,972
Total deficit	(106,203)	(126,824)
Total liabilities and deficit	$ 2,343,764	$ 2,585,029

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

OSI Restaurant Partners, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2010	2009	2010	2009
Revenues				
Restaurant sales	$ 908,888	$ 898,716	$ 1,848,903	$ 1,857,795
Other revenues	8,092	7,054	15,547	12,369
Total revenues	916,980	905,770	1,864,450	1,870,164
Costs and expenses				
Cost of sales	292,149	291,496	592,450	612,835
Labor and other related	259,044	258,394	520,946	527,965
Other restaurant operating	240,848	241,475	475,963	478,224
Depreciation and amortization	35,040	43,479	70,854	89,851
General and administrative	65,022	71,114	130,041	129,597
Loss on contingent debt guarantee	-	-	-	24,500
Goodwill impairment	-	11,078	-	11,078
Provision for impaired assets and restaurant closings	2,082	112,206	4,014	119,342
(Income) loss from operations of unconsolidated affiliates	(908)	355	(1,971)	(117)
Total costs and expenses	893,277	1,029,597	1,792,297	1,993,275
Income (loss) from operations	23,703	(123,827)	72,153	(123,111)
Gain on extinguishment of debt	-	-	-	158,061
Other income (expense), net	876	2,466	993	(3,194)
Interest expense, net	(16,623)	(22,871)	(35,335)	(49,686)
Income (loss) before (benefit) provision for income taxes	7,956	(144,232)	37,811	(17,930)
(Benefit) provision for income taxes	(11,275)	(56,177)	17,307	(13,287)
Net income (loss)	19,231	(88,055)	20,504	(4,643)
Less: net income (loss) attributable to noncontrolling interests	1,598	(1,794)	3,849	(729)
Net income (loss) attributable to OSI Restaurant Partners, LLC	$ 17,633	$ (86,261)	$ 16,655	$ (3,914)

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

OSI Restaurant Partners, LLC
CONSOLIDATED STATEMENTS OF DEFICIT
(IN THOUSANDS, EXCEPT COMMON UNITS, UNAUDITED)

	COMMON UNITS	COMMON UNITS AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE LOSS	NON-CONTROLLING INTEREST	TOTAL
Balance, December 31, 2009	100	$ -	$ 713,969	$ (842,966)	$ (16,799)	$ 18,972	$ (126,824)
Cumulative effect from adoption of variable interest entity guidance	-	-	-	6,078	-	(386)	5,692
Stock-based compensation	-	-	3,729	-	-	-	3,729
Net income	-	-	-	16,655	-	3,849	20,504
Foreign currency translation adjustment	-	-	-	-	(2,982)	-	(2,982)
Total comprehensive income	-	-	-	-	-	-	17,522
Distributions to noncontrolling interests	-	-	-	-	-	(6,425)	(6,425)
Contributions from noncontrolling interests	-	-	-	-	-	103	103
Balance, June 30, 2010	100	$ -	$ 717,698	$ (820,233)	$ (19,781)	$ 16,113	$ (106,203)

	COMMON UNITS	COMMON UNITS AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE LOSS	NON-CONTROLLING INTEREST	TOTAL
Balance, December 31, 2008	100	$ -	$ 651,043	$ (788,940)	$ (24,857)	$ 26,707	$ (136,047)
Stock-based compensation	-	-	13,866	-	-	-	13,866
Contribution from OSI HoldCo, Inc.	-	-	47,000	-	-	-	47,000
Net loss	-	-	-	(3,914)	-	(729)	(4,643)
Foreign currency translation adjustment	-	-	-	-	2,178	-	2,178
Total comprehensive loss	-	-	-	-	-	-	(2,465)
Distributions to noncontrolling interests	-	-	-	-	-	(4,700)	(4,700)
Contributions from noncontrolling interests	-	-	-	-	-	340	340
Balance, June 30, 2009	100	$ -	$ 711,909	$ (792,854)	$ (22,679)	$ 21,618	$ (82,006)

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

OSI Restaurant Partners, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS, UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	2010	2009
Cash flows provided by (used in) operating activities:		
Net income (loss)	$ 20,504	$ (4,643)
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	70,854	89,851
Amortization of deferred financing fees	4,057	4,480
Amortization of capitalized gift card sales commissions	7,735	5,368
Goodwill impairment	-	11,078
Provision for impaired assets and restaurant closings	4,014	119,342
Stock-based and other non-cash compensation expense	14,591	28,796
Income from operations of unconsolidated affiliates	(1,971)	(117)
Change in deferred income taxes	(2)	(23,232)
Loss on disposal of property, fixtures and equipment	1,443	2,391
Unrealized gain on derivative financial instruments	(12,164)	(1,086)
Loss (gain) on life insurance and restricted cash investments	952	(2,923)
Loss on contingent debt guarantee	-	24,500
Gain on extinguishment of debt	-	(158,061)
Gain on disposal of subsidiary	-	(2,001)
Allowance for receivables	1,298	2,508
Change in assets and liabilities:		
Decrease in inventories	8,804	21,397
Increase in other current assets	(10,601)	(13,370)
Decrease in other assets	5,313	4,226
(Decrease) increase in accrued interest payable	(32)	4,903
Decrease in accounts payable and accrued and other current liabilities	(30,228)	(70,480)
Increase in deferred rent	8,520	10,264
Decrease in unearned revenue	(89,106)	(82,255)
Decrease in other long-term liabilities	(2,836)	(11,031)
Net cash provided by (used in) operating activities	1,145	(40,095)
Cash flows used in investing activities:		
Purchases of Company-owned life insurance	(641)	(6,571)
Proceeds from sale of Company-owned life insurance	4,011	9,657
De-consolidation of subsidiary	(4,398)	-
Capital expenditures	(26,473)	(32,660)
Proceeds from the sale of property, fixtures and equipment	-	961
Restricted cash received for capital expenditures, property taxes and certain deferred compensation plans	8,893	17,150
Restricted cash used to fund capital expenditures, property taxes and certain deferred compensation plans	(10,205)	(15,869)
Net cash used in investing activities	$ (28,813)	$ (27,332)

(CONTINUED...)

OSI Restaurant Partners, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS, UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	2010	2009
Cash flows used in financing activities:		
Proceeds from issuance of long-term debt	$ -	$ 700
Repayments of long-term debt	(70,901)	(23,851)
Proceeds from borrowings on revolving credit facilities	21,000	-
Repayments of borrowings on revolving credit facilities	(55,928)	-
Extinguishment of senior notes	-	(75,967)
Deferred financing fees	(1,286)	(155)
Purchase of note related to guaranteed debt	-	(33,283)
Contribution from OSI HoldCo, Inc.	-	47,000
Contributions from noncontrolling interests	103	340
Distributions to noncontrolling interests	(6,425)	(4,700)
Repayment of partner deposit and accrued buyout contributions	(11,137)	(2,463)
Receipt of partner deposit and accrued buyout contributions	2,382	1,854
Net cash used in financing activities	(122,192)	(90,525)
Effect of exchange rate changes on cash and cash equivalents	(1,659)	(1,137)
Net decrease in cash and cash equivalents	(151,519)	(159,089)
Cash and cash equivalents at the beginning of the period	289,162	271,470
Cash and cash equivalents at the end of the period	$ 137,643	$ 112,381
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 43,883	$ 47,200
Cash paid for income taxes, net of refunds	7,068	7,359
Supplemental disclosures of non-cash investing and financing activities:		
Conversion of partner deposit and accrued buyout liability to notes payable	$ 4,326	$ 635
Acquisitions of property, fixtures and equipment through accounts payable	3,366	2,255
Acquisitions of property, fixtures and equipment under capital lease	1,217	-

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

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 senior secured credit facilities and proceeds from the issuance of senior notes (see Note 9), proceeds from a 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 Company owns and operates casual and upscale casual dining restaurants primarily in the United States. The Company's restaurant portfolio consists of the Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill, Fleming's Prime Steakhouse and Wine Bar and Roy's restaurant concepts. Additional Outback Steakhouse, Carrabba's Italian Grill and Bonefish Grill restaurants in which the Company has no direct investment are operated under franchise agreements.

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, 2009 (the "2009 10-K").

On January 1, 2010, the Company adopted new accounting guidance related to the consolidation of variable interest entities which requires an analysis to determine whether a variable interest gives the entity a controlling financial interest in a variable interest entity. These changes require an ongoing assessment and eliminate the quantitative approach previously required for determining whether an entity is the primary beneficiary. As a result of adopting this guidance, the Company no longer consolidates in its consolidated financial statements (see Note 6): Paradise Restaurant Group, LLC ("PRG"), the entity to whom the Company sold its Cheeseburger in Paradise concept in September 2009, and T-Bird Nevada, LLC ("T-Bird"), a limited liability company owned by the principal of each of the Company's California franchisees of Outback Steakhouse restaurants. Combined revenues and net loss included in the Company's Consolidated Statement of Operations for these two entities for the year ended December 31, 2009 were $75,767,000 and $56,476,000, respectively, and combined assets and liabilities included in the Company's Consolidated Balance Sheet at December 31, 2009 were $78,082,000 and $204,634,000, respectively. This guidance caused a $6,078,000 and a $386,000 reduction to the January 1, 2010 balances of Accumulated deficit and Noncontrolling interests, respectively.

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

1. Basis of Presentation (continued)

Economic Outlook

The recessionary economic conditions that began in 2008 have created a challenging environment for the Company and for the restaurant industry, and these factors have limited and may continue to limit the Company's liquidity. During 2009, the Company experienced declining revenues, comparable store sales and operating cash flows and incurred operating losses. It also incurred goodwill impairment charges of $11,078,000, intangible asset impairment charges of $43,741,000, and restaurant and other impairment charges of $94,471,000, such that at December 31, 2009, the Company had an Accumulated deficit of $842,966,000. During the first half of 2010, the Company experienced a strengthening of trends in consumer traffic and increases in comparable-store sales. Notwithstanding these recent signs of improvement, the industry continues to be challenged and uncertainty exists as to the level and sustainability of these favorable trends.

In response to the economic environment, the Company has continued to implement various cost-saving initiatives, including food cost decreases through waste reduction and supply chain efficiency, labor efficiency initiatives and reductions to capital expenditures. The Company developed new menu items to appeal to value-conscious consumers and used marketing campaigns to promote these items. Additionally, net interest expense declined by 28.9% for the first half of 2010 as compared to the same period in 2009 primarily due to a net $6,480,000 decrease in interest expense on the Company's interest rate collar and a decrease of approximately $5,200,000 related to the $240,145,000 decrease in outstanding senior notes from the Company's completion of a cash tender offer during March of 2009.

The Company believes that its implemented initiatives and reductions in principal amounts of outstanding debt 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 economic and industry 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.

2. Recently Issued Financial Accounting Standards

In October 2009, the FASB provided accounting and reporting guidance for arrangements consisting of multiple revenue-generating activities. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable. The amendments modify the criteria for separating deliverables, measuring, and allocating arrangement consideration to one or more units of accounting. Enhanced disclosures are also required to provide information about a vendor's multiple-deliverable revenue arrangements, including information about the nature and terms, significant deliverables and its performance within arrangements. The amendments also require providing information about the significant judgments made and changes to those judgments and about how the application of the relative selling-price method affects the timing or amount of revenue recognition. This guidance is effective January 1, 2011, although early application is permitted. The Company does not expect the adoption of this guidance to materially affect its consolidated financial statements and does not plan to early or retroactively adopt this guidance.

In January 2010, the FASB amended the guidance related to fair value measurements and disclosures. Effective for interim and annual reporting periods beginning after December 15, 2009, disclosure of the amount and reasons for significant transfers in and out of Level 1 and Level 2 fair value measurements is required. Further, this guidance clarified that fair value measurement disclosures should be provided for each class of assets and liabilities. The amendment also clarified that for Level 2 and Level 3 fair value measurements, valuation techniques and inputs used for both recurring and nonrecurring fair value measurements are required to be disclosed. The adoption of this guidance on January 1, 2010 did not have a material impact on the Company's consolidated financial statements. See Note 4 for the Company's disclosures required by this guidance. Additionally, effective for fiscal years beginning after December 15, 2010, a reporting entity should separately present information about purchases, sales, issuances and settlements on a gross basis in its reconciliation of Level 3 recurring fair value measurements. This accounting guidance is not expected to materially affect the Company's consolidated financial statements.

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

3. Stock-based Compensation Plans

The Company's Ultimate Parent has adopted the Kangaroo Holdings, Inc. 2007 Equity Incentive Plan (the "KHI Equity Plan") which permits grants of stock options and restricted stock of KHI to Company management and other key employees. As KHI is a holding company with no significant operations of its own, equity transactions in KHI are pushed down to the Company and stock-based compensation expense is recorded by the Company, where applicable.

In March 2010, KHI offered all active employees the opportunity to exchange outstanding stock options with a $10.00 exercise price for the same number of replacement stock options with a $6.50 exercise price. The replacement options were immediately vested and exercisable in the same amount as the exchanged options were vested as of the grant date of the replacement options. The unvested portion of the exchanged options were exchanged for unvested replacement options that vest and become exercisable over a period of time that is equal to the remaining vesting period of the exchanged options, plus one year, subject to the participant's continued employment through the applicable vesting date. For exchanged options that contained both performance-based and time-based vesting conditions, the replacement options contain only time-based vesting conditions and vest in accordance with the above terms. All eligible options were tendered and accepted for exchange pursuant to the exchange offer. The original options were cancelled following the expiration of the offer and the issuance of the replacement options occurred on April 6, 2010. The stock options exchange did not have a material effect on the Company's consolidated financial statements.

4. Fair Value Measurements

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date (exit price) and is a market-based measurement, not an entity-specific measurement. 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. 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, a three-tier fair value hierarchy 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.

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4. Fair Value Measurements (continued)

Fair Value Measurements on a Recurring Basis

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 senior secured credit facilities. The collar consists of a London Interbank Offered Rate ("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.

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. Interest rate curves are used to determine forward LIBOR rates on each quarter's interest rate reset date. Since the interest rate collar matures on September 30, 2010, its final interest rate reset date was June 28, 2010.

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 June 30, 2010, 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 following tables present the Company's interest rate collar measured at fair value on a recurring basis as of June 30, 2010 and December 31, 2009, aggregated by the level in the fair value hierarchy within which the measurements fall (in thousands):

	TOTAL JUNE 30, 2010	LEVEL 1	LEVEL 2	LEVEL 3
Liabilities:				
Interest rate collar	$ 6,103	$ -	$ 6,103	$ -

	TOTAL DECEMBER 31, 2009	LEVEL 1	LEVEL 2	LEVEL 3
Liabilities:				
Interest rate collar	$ 18,458	$ -	$ 18,458	$ -

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

4. Fair Value Measurements (continued)

Fair Value Measurements on a Nonrecurring Basis

The Company performed its annual impairment test during the second quarter of 2010. The Company did not have material impairment charges as a result of fair value measurements on a nonrecurring basis during the three and six months ended June 30, 2010.

The following tables present losses related to the Company's assets and liabilities that were measured at fair value on a nonrecurring basis during the three and six months ended June 30, 2009 aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

	THREE MONTHS ENDED JUNE 30, 2009	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL LOSSES
Long-lived assets held and used	$ 3,912	$ -	$ -	$ 3,912	$ 69,716
Goodwill	368,628	-	-	368,628	11,078
Indefinite-lived intangible assets	362,000	-	-	362,000	36,000

	SIX MONTHS ENDED JUNE 30, 2009	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL LOSSES
Long-lived assets held and used	$ 4,623	$ -	$ -	$ 4,623	$ 74,846
Goodwill	368,628	-	-	368,628	11,078
Indefinite-lived intangible assets	362,000	-	-	362,000	36,000

The Company recorded $69,716,000 and $74,846,000 of impairment charges as a result of the fair value measurement on a nonrecurring basis of its long-lived assets held and used during the three and six months ended June 30, 2009, respectively. At the time of such impairment, the impaired long-lived assets had $3,912,000 and $4,623,000 of remaining fair value during the three and six months ended June 30, 2009, respectively. Due to the third quarter of 2009 sale of its Cheeseburger in Paradise concept, the Company recorded a $45,962,000 impairment charge (included in the totals above) during the second quarter of 2009 to reduce the carrying value of this concept's long-lived assets to their estimated fair market value. The Company used a weighted-average probability analysis and estimates of expected future cash flows to determine the fair value of this concept at June 30, 2009. The Company used a discounted cash flow model to estimate the fair value of the remaining long-lived assets included in the table above at June 30, 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.

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

4. Fair Value Measurements (continued)

Fair Value Measurements on a Nonrecurring Basis (continued)

The Company recorded goodwill impairment charges of $11,078,000 and indefinite-lived intangible asset impairment charges of $36,000,000 during the three and six months ended June 30, 2009 as a result of its annual impairment test. The Company tests both its goodwill and its indefinite-lived intangible assets, which are trade names, for impairment by utilizing discounted cash flow models to estimate their fair values. These cash flow models involve several assumptions. Changes in the Company's assumptions could materially impact its fair value estimates. Assumptions critical to its fair value estimates are: (i) weighted-average cost of capital rates used to derive the present value factors used in determining the fair value of the reporting units and trade names; (ii) projected annual revenue growth rates used in the reporting unit and trade name models; and (iii) projected long-term growth rates used in the derivation of terminal year values. Other assumptions include estimates of projected capital expenditures and working capital requirements. These and other assumptions are impacted by economic conditions and expectations of management and will change in the future based on period-specific facts and circumstances. As a result, the Company has determined that the majority of the inputs used to value its goodwill and indefinite-lived intangible assets are unobservable inputs that fall within Level 3 of the fair value hierarchy.

Interim Disclosures about Fair Value of Financial Instruments

The Company's non-derivative financial instruments at June 30, 2010 and December 31, 2009 consist of cash equivalents, accounts receivable, accounts payable and current and long-term debt. The fair values of cash equivalents, accounts receivable and accounts payable approximate their carrying amounts reported in the Consolidated Balance Sheets due to their short duration. The carrying amount of the Company's other notes payable, sale-leaseback obligations and guaranteed debt approximates fair value. The fair value of its senior secured credit facilities and senior notes is determined based on quoted market prices. The following table includes the carrying value and fair value of the Company's senior secured credit facilities and senior notes at June 30, 2010 and December 31, 2009 (in thousands):

	JUNE 30, 2010		DECEMBER 31, 2009	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Senior secured term loan facility	$ 1,103,450	$ 940,691	$ 1,171,900	$ 950,704
Senior secured working capital revolving credit facility	-	-	50,000	40,563
Senior secured pre-funded revolving credit facility	38,072	32,456	23,000	18,659
Senior notes	248,075	242,493	248,075	218,926

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5. Derivative Instruments and Hedging Activities

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 9). 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. The Company does not use derivative financial instruments to manage its commodity price risk, except for natural gas and diesel fuel, as described below.

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 records mark-to-market changes in the fair value of these derivative instruments in earnings in the period of change. The effects of these natural gas swaps were immaterial to the Company's consolidated financial statements for all periods presented and have been excluded from the tables within this footnote.

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 consolidated 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, Hong Kong and Brazil and to its 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 2009, the Company purchased approximately 90% of its beef raw materials from two beef suppliers who represented approximately 32% of the total beef marketplace in the United States. In 2010, the Company will contract approximately 90% of its beef raw materials from four beef suppliers. These four beef suppliers represent approximately 76% of the total beef marketplace in the United States.

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5. Derivative Instruments and Hedging Activities (continued)

Non-designated Hedges of Interest Rate Risk

The Company's objective in using an interest rate derivative is 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 senior secured credit facilities. 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 June 30, 2010, the Company's interest rate collar was a non-designated hedge of the Company's exposure to interest rate risk. The Company records mark-to-market changes in the fair value of the derivative instrument in earnings in the period of change.

The following table presents the fair value of the Company's interest rate collar and its classification in the Company's Consolidated Balance Sheets as of June 30, 2010 and December 31, 2009 (in thousands):

	LIABILITY DERIVATIVES			
	JUNE 30, 2010		DECEMBER 31, 2009	
	BALANCE SHEET LOCATION	FAIR VALUE	BALANCE SHEET LOCATION	FAIR VALUE
Derivatives not designated as hedging instruments				
Interest rate collar	Accrued and other current liabilities	$ 6,103	Accrued and other current liabilities	$ 18,458

OSI Restaurant Partners, LLC
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5. Derivative Instruments and Hedging Activities (continued)

Non-designated Hedges of Interest Rate Risk (continued)

The following table presents the location and effects of the Company's interest rate collar on its Consolidated Statements of Operations for the three and six months ended June 30, 2010 and 2009 (in thousands):

DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS	LOCATION OF GAIN OR (LOSS) RECOGNIZED IN INCOME ON DERIVATIVE	AMOUNT OF GAIN OR (LOSS) RECOGNIZED IN INCOME ON DERIVATIVE			
		THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
		2010	2009	2010	2009
Interest rate collar	Interest expense, net	$ 242	$ (4,648)	$ (1,322)	$ (7,802)

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 June 30, 2010 and December 31, 2009, the fair value of the interest rate collar derivative related to this agreement, including accrued interest but excluding any adjustment for nonperformance risk, was a net liability position of $6,276,000 and $19,225,000, respectively. As of June 30, 2010 and December 31, 2009, 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 June 30, 2010, it would be required to settle its obligation under the agreement at its termination value of $6,276,000.

6. Variable Interest Entities

The Company consolidates variable interest entities in which the Company is deemed to have a controlling financial interest as a result of the Company having (1) the power to direct the activities that most significantly impact the entity's economic performance and (2) the obligation to absorb the losses or the right to receive the benefits that could potentially be significant to the variable interest entity. If the Company has a controlling financial interest in a variable interest entity, the assets, liabilities, and results of the operations of the variable interest entity are included in the consolidated financial statements.

Roy's and RY-8, Inc.

The Company's consolidated financial statements include the accounts and operations of its Roy's joint venture although it has less than majority ownership. The Company determined it is the primary beneficiary of the joint venture since the Company has the power to direct or cause the direction of the activities that most significantly impact the entity on a day-to-day basis such as decisions regarding menu development, purchasing, restaurant expansion and closings and the management of employee-related processes. Additionally, the Company has the obligation to absorb losses or the right to receive benefits of Roy's joint venture that could potentially be significant to Roy's joint venture. The majority of capital contributions made by the Company's partner in the Roy's joint venture, RY-8, Inc. ("RY-8"), have been funded by loans to RY-8 from a third party where the Company provides a guarantee (see Note 9). The guarantee is secured by a collateral interest in RY-8's membership interest in the joint venture. The carrying amounts of consolidated assets and liabilities included within the Company's Consolidated Balance Sheets for the Roy's joint venture were $29,950,000 and $6,748,000, respectively, at June 30, 2010 and $33,721,000 and $7,586,000, respectively, at December 31, 2009.

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6. Variable Interest Entities (continued)

Roy's and RY-8, Inc. (continued)

The Company consolidates RY-8 because the Company's guarantee of RY-8's debt, which was renewed on April 1, 2009, indicated that the Company was likely to absorb the majority of RY-8's expected losses, as RY-8 does not have sufficient resources to fund its activities without additional subordinated financial support. Since RY-8's $24,500,000 line of credit became fully extended in 2007, the Company has made interest payments, paid line of credit renewal fees and made capital expenditures for additional restaurant development on behalf of RY-8. The Company is obligated to provide financing, either through a guarantee with a third-party institution or Company loans, for all required capital contributions and interest payments. Therefore, any additional RY-8 capital requirements in connection with the joint venture likely will be the Company's responsibility. On April 1, 2009, the Company reclassified its $24,500,000 contingent obligation to guaranteed debt and beginning on that date, the portion of income or loss attributable to RY-8, excluding interest expense on the line of credit, is eliminated in the line item in the Consolidated Statement of Operations entitled "Net income (loss) attributable to noncontrolling interests." No other assets or liabilities were recorded as a result of consolidating RY-8. All material intercompany balances and transactions have been eliminated. The adoption of new accounting guidance for variable interest entities on January 1, 2010 did not affect the Company's consolidation of RY-8. The Company determined that it remains RY-8's primary beneficiary because its implicit variable interest in RY-8, which is considered a de facto related party, indirectly receives the variability of the entity through absorption of RY-8's expected losses.

T-Bird Nevada, LLC

The Company was the guarantor of 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 of Outback Steakhouse restaurants. The Company was required to consolidate T-Bird effective January 1, 2004 because the Company determined that it absorbed the majority of expected losses. 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 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. 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 in California against the Company and certain of its officers and affiliates (see Note 13).

Upon adoption of new accounting guidance for variable interest entities on January 1, 2010, the Company is no longer the primary beneficiary of T-Bird since it does not have direct involvement in the entity nor does it have the power to direct the activities that most significantly impact the entity. As a result, on January 1, 2010, the Company de-consolidated T-Bird. The effect of the de-consolidation was not material to the Company's consolidated financial statements.

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6. Variable Interest Entities (continued)

Paradise Restaurant Group, LLC

In September 2009, the Company sold its Cheeseburger in Paradise concept, which included 34 restaurants, for $2,000,000 to PRG, an entity formed and controlled by the president of the concept. Based on the terms of the purchase and sale agreement, the Company determined that it was the primary beneficiary and continued to consolidate PRG after the sale transaction. Therefore, the Company classified 100% of PRG's net operating results as "Net (loss) income attributable to noncontrolling interests" in its Consolidated Statement of Operations for the year ended December 31, 2009 and classified PRG's equity as "Noncontrolling interests" in its Consolidated Balance Sheet subsequent to the sale transaction. Any receivables, payables, income or expenses between the Company and PRG during the year ended December 31, 2009 were eliminated in consolidation.

Upon adoption of new accounting guidance for variable interest entities on January 1, 2010, the Company determined that it is no longer the primary beneficiary of PRG. As a result, the Company de-consolidated PRG on January 1, 2010 (see Note 1). The Company determined that certain rights within a $2,000,000 promissory note owed to the Company by PRG are non-substantive participating rights, and as a result, the Company does not have the power to direct the activities that most significantly impact the entity. De-consolidated assets and liabilities were $9,433,000 and $8,314,000, respectively, at December 31, 2009. The maximum exposure to loss as a result of the Company's involvement with PRG is $35,077,000 related to lease payments over a period of 13 years in the event that PRG defaults on certain third-party leases, of which $27,520,000 relates to lease payments to the Company's sister company, PRP (see Note 14). The Company does not have a liability recorded at June 30, 2010 for these potential lease payments. The Company had approximately $998,000 and ($109,000) due from (to) PRG, respectively, at June 30, 2010, and settled the majority of these amounts subsequent to the end of the second quarter. The Company recorded a $2,000,000 allowance for the PRG promissory note during the first quarter of 2010.

7. Other Current Assets, Net

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

	JUNE 30, 2010	DECEMBER 31, 2009
Prepaid expenses	$ 27,278	$ 16,448
Accounts receivable, net	8,001	10,132
Accounts receivable - vendors	21,914	14,795
Accounts receivable - franchisees, net	5,214	5,312
Insurance receivable	1,013	19,000
Other current assets, net	21,017	29,807
	$ 84,437	$ 95,494

The $19,000,000 insurance receivable at December 31, 2009 relates to a reclassification to current from long-term as a result of a 2010 settlement of a class action lawsuit. This amount is also included in Accrued and other current liabilities at December 31, 2009.

8. Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following (in thousands):

	JUNE 30, 2010	DECEMBER 31, 2009
Accrued payroll and other compensation	$ 75,701	$ 101,849
Accrued insurance	19,399	36,057
Other	69,287	80,654

	$ 164,387	$ 218,560

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9. Long-term Debt

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

	JUNE 30, 2010	DECEMBER 31, 2009
Senior secured term loan facility, interest rate of 2.88% at June 30, 2010 and 2.56% at December 31, 2009	$ 1,103,450	$ 1,171,900
Senior secured working capital revolving credit facility, interest rate of 2.56% at December 31, 2009	-	50,000
Senior secured pre-funded revolving credit facility, interest rate of 2.88% at June 30, 2010 and 2.56% at December 31, 2009	38,072	23,000
Senior notes, interest rate of 10.00% at June 30, 2010 and December 31, 2009	248,075	248,075
Other notes payable, uncollateralized, interest rates ranging from 1.21% to 8.25% at June 30, 2010 and December 31, 2009	7,669	5,752
Sale-leaseback obligations	2,375	4,925
Capital lease obligations	1,175	-
Guaranteed debt	24,500	24,500
	1,425,316	1,528,152
Less: current portion of long-term debt	(117,314)	(134,333)
Less: guaranteed debt	(24,500)	(24,500)
Long-term debt	$ 1,283,502	$ 1,369,319

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 June 30, 2010 and December 31, 2009). The Eurocurrency Rate option is the 30, 60, 90 or 180-day Eurocurrency Rate (“Eurocurrency Rate”) (ranging from 0.35% to 0.75% and from 0.26% to 0.46% at June 30, 2010 and December 31, 2009, 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 June 30, 2010 and December 31, 2009).

The Company is 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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9. Long-term Debt (continued)

Additionally, the Company is required, on an annual basis, 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 2010, the Company repaid $5,928,000 of 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 $1,103,450,000 and $1,171,900,000 at June 30, 2010 and December 31, 2009, respectively. The Company classified $75,000,000 of its term loans as current at June 30, 2010 and at December 31, 2009 due to its prepayment requirements and quarterly payments. In April 2010, the Company paid the remainder of its $75,000,000 prepayment for 2009 that is required by the credit agreement, as described above.

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. There were no loans outstanding under the revolving credit facility at June 30, 2010. At December 31, 2009, the outstanding balance was $50,000,000. This borrowing was recorded in "Current portion of long-term debt" in the Company's Consolidated Balance Sheet at December 31, 2009, since it was repaid during the first quarter of 2010. In addition to outstanding borrowings, if any, at June 30, 2010 and December 31, 2009, $70,457,000 and $71,632,000, respectively, of the credit facility was committed for the issuance of letters of credit. As of June 30, 2010, the Company's total outstanding letters of credit were $4,543,000 below the maximum of $75,000,000 of letters of credit permitted to be issued under its 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. As of June 30, 2010 and December 31, 2009, the Company had borrowed $38,072,000 and $23,000,000, respectively, from its pre-funded revolving credit facility. The Company recorded $38,072,000 in "Current portion of long-term debt" in its Consolidated Balance Sheet at June 30, 2010 and $5,928,000 in "Current portion of long-term debt" and $17,072,000 in "Long-term debt" in its Consolidated Balance Sheet at December 31, 2009, as the Company is required to repay any outstanding loans in April following each fiscal year using its "annual true cash flow," as defined in the credit agreement. The amount of "annual true cash flow" available to repay outstanding loans under the pre-funded revolving credit facility may vary based on year-end results. 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. Fees for the unused portion of the pre-funded revolving credit facility are 2.43%. Subsequent to the end of the second quarter of 2010, the Company borrowed $5,000,000 from its pre-funded revolving credit facility.

At June 30, 2010 and December 31, 2009, the Company was in compliance with its debt covenants. See the 2009 10-K for further information about the Company's debt covenant requirements.

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9. Long-term Debt (continued)

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”), a third-party trustee and each of its current and future domestic 100% owned restricted subsidiaries in its Outback Steakhouse and Carrabba’s Italian Grill concepts and certain non-restaurant subsidiaries (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 principal balance of senior notes outstanding at June 30, 2010 and December 31, 2009 was $248,075,000.

On June 14, 2010, the Company’s one-year line of credit with a maximum borrowing amount of 10,000,000,000 Korean won and its one-year overdraft line of credit with a maximum borrowing amount of 5,000,000,000 Korean won matured and were not renewed. There were no draws outstanding on these lines of credit.

DEBT GUARANTEES

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 June 30, 2010 and December 31, 2009, 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. At June 30, 2010 and December 31, 2009, $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 one of the two guarantors, 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 under 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.

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10. 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 June 30, 2010 and 2009 was $13,834,000 and ($82,278,000), respectively, which included the effect of (losses) and gains from foreign currency translation adjustments of approximately ($5,397,000) and $5,777,000, respectively.

Total comprehensive income (loss) for the six months ended June 30, 2010 and 2009 was $17,522,000 and ($2,465,000), respectively, which included the effect of (losses) and gains from foreign currency translation adjustments of approximately ($2,982,000) and $2,178,000, respectively.

Accumulated other comprehensive loss contained only foreign currency translation adjustments as of June 30, 2010 and December 31, 2009.

Foreign currency transaction gains and losses are recorded in “Other income (expense), net” in the Company’s Consolidated Statements of Operations and was a net gain of $876,000 and $2,466,000 for the three months ended June 30, 2010 and 2009, respectively, and a net gain (loss) of $993,000 and ($3,194,000) for the six months ended June 30, 2010 and 2009, respectively.

11. Income Taxes

The effective income tax rate for the three months ended June 30, 2010 was (141.7)% compared to 38.9% for the same period in 2009. This decrease in the effective rate was primarily attributable to an increase in the projected pre-tax book income as compared to the previous period. It was partially offset by an increase in the valuation allowance on deferred tax assets for excess tax credits expected for the year and income taxes expected in states that only have limited deductions in computing taxable income being a larger percentage of projected pre-tax income for the year.

The effective income tax rate for the six months ended June 30, 2010 was 45.8% compared to 74.1% for the same period in 2009. This net decrease of 28.3% in the effective rate was primarily due to the increase in the valuation allowance on deferred tax assets for excess tax credits expected for the year and to the $11,078,000 goodwill impairment charge recorded in the six months ended June 30, 2009. This goodwill impairment charge is not deductible for tax purposes, as the goodwill is related to KHI’s acquisition of OSI Restaurant Partners, Inc’s stock.

The effective income tax rate for the six months ended June 30, 2010 was higher than the combined federal and state statutory rate of 38.9% due to an increase in the valuation allowance on deferred tax assets for excess tax credits expected for the year and income taxes expected in states that only have limited deductions in computing taxable income being a larger percentage of projected pre-tax income for the year.

As of June 30, 2010 and December 31, 2009, the Company had $14,482,000 and $14,411,000, respectively, of unrecognized tax benefits ($3,781,000 and $3,815,000, respectively, in “Other long-term liabilities,” $3,879,000 and $3,774,000, respectively, in “Accrued and other current liabilities” and $6,822,000 at June 30, 2010 and December 31, 2009 in “Deferred income tax liability”). Of these amounts, $13,624,000 and $13,209,000, 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 decrease by approximately $4,500,000 to $5,500,000 within the next twelve months after June 30, 2010.

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

11. Income Taxes (continued)

The Company is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2006 through 2009. The Company and its subsidiaries' state and foreign income tax returns are also open to audit under the statute of limitations for the years ended December 31, 2000 through 2009.

As of June 30, 2010 and December 31, 2009, the Company accrued $3,797,000 and $3,203,000, 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 (Benefit) provision for income taxes and recognized expense of $169,000 and $638,000 for the three and six months ended June 30, 2010, respectively, and expense of $969,000 and $1,188,000 for the three and six months ended June 30, 2009, respectively. The Company's policy on classification of interest and penalties did not change as a result of the adoption of guidance related to accounting for uncertainty in income taxes, and it has not changed since the adoption of this guidance.

12. Supplemental Guarantor Condensed Consolidating Financial Statements

The Company's senior notes are jointly and severally, fully and unconditionally guaranteed on a senior unsecured basis by 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. All other concepts and certain non-restaurant subsidiaries of the Company do not guarantee the senior notes ("Non-Guarantors"). As a result of the sale of Cheeseburger in Paradise to PRG in September 2009, the Cheeseburger in Paradise subsidiaries were no longer considered Guarantors, as they were no longer 100% owned restricted subsidiaries. Since the Company consolidated PRG after the sale transaction in accordance with accounting guidance in effect until December 31, 2009, these subsidiaries were considered Non-Guarantors through December 31, 2009. The accompanying Condensed Consolidating Statements of Operations for the three and six months ended June 30, 2009 and the Condensed Consolidating Statement of Cash Flows for the six months ended June 30, 2009 have been restated to include the Cheeseburger in Paradise subsidiaries with the Non-Guarantors. Upon adoption of new accounting guidance for variable interest entities on January 1, 2010, the Company de-consolidated PRG, and the Cheeseburger in Paradise subsidiaries are not included in the accompanying 2010 condensed consolidating financial statements (see Note 6). Additionally, the 2009 Condensed Consolidating Statements of Operations and Cash Flows have been restated to reflect a shift in ownership of seven Guarantor restaurants from a Non-Guarantor parent to a Guarantor parent. This change in ownership did not have a material effect on the statements.

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

12. Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

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 JUNE 30, 2010

	OSI Parent	OSI Co-Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS						
Current Assets						
Cash and cash equivalents	$ 36,809	$ -	$ 53,739	$ 47,095	$ -	$ 137,643
Current portion of restricted cash	962	-	4,368	-	-	5,330
Inventories	5,605	-	26,039	15,682	-	47,326
Deferred income tax assets	27,647	-	653	619	-	28,919
Other current assets	26,170	-	36,451	21,816	-	84,437
Total current assets	97,193	-	121,250	85,212	-	303,655
Property, fixtures and equipment, net	25,824	-	510,037	310,685	-	846,546
Investments in and advances to unconsolidated affiliates, net	242	-	-	24,530	-	24,772
Investments in subsidiaries	-	-	4,559	-	(4,559)	-
Due from (to) subsidiaries	1,830,261	-	877,421	469,953	(3,177,635)	-
Goodwill	-	-	339,462	109,260	-	448,722
Intangible assets, net	-	-	431,311	153,779	-	585,090
Other assets, net	70,137	-	20,559	44,283	-	134,979
Total assets	$ 2,023,657	$ -	$ 2,304,599	$ 1,197,702	$ (3,182,194)	$ 2,343,764

(CONTINUED…)

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

12. Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF JUNE 30, 2010

	OSI Parent	OSI Co-Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
LIABILITIES AND (DEFICIT) EQUITY						
Current Liabilities						
Accounts payable	$ 8,981	$ -	$ 66,438	$ 32,325	$ -	$ 107,744
Accrued and other current liabilities	68,858	-	62,656	32,873	-	164,387
Current portion of accrued buyout liability	64	-	6,334	4,693	-	11,091
Unearned revenue	441	-	114,278	33,489	-	148,208
Current portion of long-term debt	113,236	-	2,791	1,287	-	117,314
Total current liabilities	191,580	-	252,497	104,667	-	548,744
Partner deposit and accrued buyout liability	332	-	85,121	24,221	-	109,674
Deferred rent	716	-	49,764	25,803	-	76,283
Deferred income tax liability	59,270	-	135,775	(6,741)	-	188,304
Long-term debt	1,276,806	248,075	5,080	1,616	(248,075)	1,283,502
Guaranteed debt	-	-	-	24,500	-	24,500
Accumulated losses in subsidiaries in excess of investment	478,288	-	-	-	(478,288)	-
Due to (from) subsidiaries	2,184	-	1,745,037	1,430,415	(3,177,636)	-
Other long-term liabilities, net	136,810	-	60,142	22,008	-	218,960
Total liabilities	2,145,986	248,075	2,333,416	1,626,489	(3,903,999)	2,449,967
(Deficit) Equity						
OSI Restaurant Partners, LLC Unitholder's (Deficit) Equity						
Additional paid-in capital	717,698	(248,075)	-	-	248,075	717,698
(Accumulated deficit) retained earnings	(820,233)	-	(28,817)	(425,132)	453,949	(820,233)
Accumulated other comprehensive (loss) income	(19,781)	-	-	(19,781)	19,781	(19,781)
Total OSI Restaurant Partners, LLC unitholder's (deficit) equity	(122,316)	(248,075)	(28,817)	(444,913)	721,805	(122,316)
Noncontrolling interests	(13)	-	-	16,126	-	16,113
Total (deficit) equity	(122,329)	(248,075)	(28,817)	(428,787)	721,805	(106,203)
	$ 2,023,657	$ -	$ 2,304,599	$ 1,197,702	$ (3,182,194)	$ 2,343,764

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

12. Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2009

	OSI Parent	OSI Co-Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS						
Current Assets						
Cash and cash equivalents	$ 105,906	$ -	$ 124,560	$ 58,696	$ -	$ 289,162
Current portion of restricted cash	718	-	3,271	-	-	3,989
Inventories	7,723	-	31,598	17,902	-	57,223
Deferred income tax assets	37,153	-	872	619	-	38,644
Other current assets	51,051	-	28,611	15,832	-	95,494
Total current assets	202,551	-	188,912	93,049	-	484,512
Property, fixtures and equipment, net	25,297	-	528,599	334,842	-	888,738
Investments in and advances to unconsolidated affiliates, net	615	-	-	22,103	-	22,718
Investments in subsidiaries	-	-	2,936	-	(2,936)	-
Due from (to) subsidiaries	2,248,934	-	539,541	475,199	(3,263,674)	-
Goodwill	-	-	339,462	109,260	-	448,722
Intangible assets, net	-	-	435,517	156,776	-	592,293
Other assets, net	80,094	-	20,779	47,173	-	148,046
Total assets	$ 2,557,491	$ -	$ 2,055,746	$ 1,238,402	$ (3,266,610)	$ 2,585,029

(CONTINUED…)

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

12. Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2009

	OSI Parent	OSI Co-Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
LIABILITIES AND (DEFICIT) EQUITY						
Current Liabilities						
Accounts payable	$ 6,969	$ -	$ 61,590	$ 38,588	$ -	$ 107,147
Accrued and other current liabilities	88,037	-	84,296	46,227	-	218,560
Current portion of accrued buyout liability	-	-	9,054	6,057	-	15,111
Unearned revenue	136	-	190,049	47,395	-	237,580
Current portion of long-term debt	130,933	-	2,089	1,311	-	134,333
Total current liabilities	226,075	-	347,078	139,578	-	712,731
Partner deposit and accrued buyout liability	88	-	85,027	23,811	-	108,926
Deferred rent	853	-	43,678	25,270	-	69,801
Deferred income tax liability	68,612	-	135,763	(6,294)	-	198,081
Long-term debt	1,362,062	248,075	6,376	881	(248,075)	1,369,319
Guaranteed debt	-	-	-	24,500	-	24,500
Accumulated losses in subsidiaries in excess of investment	669,136	-	-	-	(669,136)	-
Due to (from) subsidiaries	241,260	-	1,476,681	1,545,734	(3,263,675)	-
Other long-term liabilities, net	135,201	-	61,969	31,325	-	228,495
Total liabilities	2,703,287	248,075	2,156,572	1,784,805	(4,180,886)	2,711,853
(Deficit) Equity						
OSI Restaurant Partners, LLC Unitholder's (Deficit) Equity						
Additional paid-in capital	713,969	(248,075)	-	-	248,075	713,969
(Accumulated deficit) retained earnings	(842,966)	-	(100,826)	(548,576)	649,402	(842,966)
Accumulated other comprehensive (loss) income	(16,799)	-	-	(16,799)	16,799	(16,799)
Total OSI Restaurant Partners, LLC unitholder's (deficit) equity	(145,796)	(248,075)	(100,826)	(565,375)	914,276	(145,796)
Noncontrolling interests	-	-	-	18,972	-	18,972
Total (deficit) equity	(145,796)	(248,075)	(100,826)	(546,403)	914,276	(126,824)
	$ 2,557,491	$ -	$ 2,055,746	$ 1,238,402	$ (3,266,610)	$ 2,585,029

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

12. Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
THREE MONTHS ENDED JUNE 30, 2010

	OSI Parent	OSI Co-Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues						
Restaurant sales	$ 22	$ -	$ 657,783	$ 251,083	$ -	$ 908,888
Other revenues	812	-	4,335	2,945	-	8,092
Total revenues	834	-	662,118	254,028	-	916,980
Costs and expenses						
Cost of sales	3,925	-	210,976	77,248	-	292,149
Labor and other related	(2,205)	-	188,861	72,388	-	259,044
Other restaurant operating	803	-	178,907	61,138	-	240,848
Depreciation and amortization	220	-	21,558	13,262	-	35,040
General and administrative	16,062	-	30,714	18,246	-	65,022
Provision for impaired assets and restaurant closings	199	-	1,364	519	-	2,082
Loss (income) from operations of unconsolidated affiliates	150	-	-	(1,058)	-	(908)
Total costs and expenses	19,154	-	632,380	241,743	-	893,277
(Loss) income from operations	(18,320)	-	29,738	12,285	-	23,703
Equity in earnings (losses) of subsidiaries	39,905	-	803	-	(40,708)	-
Other income, net	-	-	-	876	-	876
Interest expense, net	(16,445)	-	(4)	(174)	-	(16,623)
Income (loss) before (benefit) provision for income taxes	5,140	-	30,537	12,987	(40,708)	7,956
(Benefit) provision for income taxes	(12,486)	-	12	1,199	-	(11,275)
Net income (loss)	17,626	-	30,525	11,788	(40,708)	19,231
Less: net (loss) income attributable to noncontrolling interests	(7)	-	-	1,605	-	1,598
Net income (loss) attributable to OSI Restaurant Partners, LLC	$ 17,633	$ -	$ 30,525	$ 10,183	$ (40,708)	$ 17,633

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

12. Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 2010

	OSI Parent	OSI Co-Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues						
Restaurant sales	$ 30	$ -	$ 1,329,849	$ 519,024	$ -	$ 1,848,903
Other revenues	1,454	-	8,150	5,943	-	15,547
Total revenues	1,484	-	1,337,999	524,967	-	1,864,450
Costs and expenses						
Cost of sales	3	-	433,644	158,803	-	592,450
Labor and other related	(1,022)	-	375,470	146,498	-	520,946
Other restaurant operating	1,505	-	350,579	123,879	-	475,963
Depreciation and amortization	446	-	43,775	26,633	-	70,854
General and administrative	32,763	-	62,149	35,129	-	130,041
Provision for impaired assets and restaurant closings	1,287	-	1,963	764	-	4,014
Loss (income) from operations of unconsolidated affiliates	373	-	-	(2,344)	-	(1,971)
Total costs and expenses	35,355	-	1,267,580	489,362	-	1,792,297
(Loss) income from operations	(33,871)	-	70,419	35,605	-	72,153
Equity in earnings (losses) of subsidiaries	99,516	-	1,624	-	(101,140)	-
Other income, net	-	-	-	993	-	993
Interest expense, net	(34,948)	-	(107)	(280)	-	(35,335)
Income (loss) before provision (benefit) for income taxes	30,697	-	71,936	36,318	(101,140)	37,811
Provision (benefit) for income taxes	14,043	-	(72)	3,336	-	17,307
Net income (loss)	16,654	-	72,008	32,982	(101,140)	20,504
Less: net (loss) income attributable to noncontrolling interests	(1)	-	-	3,850	-	3,849
Net income (loss) attributable to OSI Restaurant Partners, LLC	$ 16,655	$ -	$ 72,008	$ 29,132	$ (101,140)	$ 16,655

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

12. Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

	CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS THREE MONTHS ENDED JUNE 30, 2009					
	OSI Parent	OSI Co-Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues						
Restaurant sales	$ -	$ -	$ 641,870	$ 256,846	$ -	$ 898,716
Other revenues	43	-	4,022	2,989	-	7,054
Total revenues	43	-	645,892	259,835	-	905,770
Costs and expenses						
Cost of sales	-	-	211,723	79,773	-	291,496
Labor and other related	3,518	-	180,895	73,981	-	258,394
Other restaurant operating	325	-	175,634	65,516	-	241,475
Depreciation and amortization	234	-	28,906	14,339	-	43,479
General and administrative	20,899	-	30,869	19,346	-	71,114
Goodwill impairment	-	-	1,146	9,932	-	11,078
Provision for impaired assets and restaurant closings	-	-	47,008	65,198	-	112,206
Loss from operations of unconsolidated affiliates	158	-	-	197	-	355
Total costs and expenses	25,134	-	676,181	328,282	-	1,029,597
Loss from operations	(25,091)	-	(30,289)	(68,447)	-	(123,827)
Equity in (losses) earnings of subsidiaries	(98,076)	-	462	-	97,614	-
Other (expense) income, net	(6)	-	-	2,472	-	2,466
Interest expense, net	(21,382)	-	(1,308)	(181)	-	(22,871)
(Loss) income before (benefit) provision for income taxes	(144,555)	-	(31,135)	(66,156)	97,614	(144,232)
(Benefit) provision for income taxes	(58,294)	-	885	1,232	-	(56,177)
Net (loss) income	(86,261)	-	(32,020)	(67,388)	97,614	(88,055)
Less: net loss attributable to noncontrolling interests	-	-	-	(1,794)	-	(1,794)
Net (loss) income attributable to OSI Restaurant Partners, LLC	$ (86,261)	$ -	$ (32,020)	$ (65,594)	$ 97,614	$ (86,261)

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

12. Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

	CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS SIX MONTHS ENDED JUNE 30, 2009					
	OSI Parent	OSI Co-Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues						
Restaurant sales	$ -	$ -	$ 1,329,926	$ 527,869	$ -	$ 1,857,795
Other revenues	86	-	6,968	5,315	-	12,369
Total revenues	86	-	1,336,894	533,184	-	1,870,164
Costs and expenses						
Cost of sales	-	-	446,445	166,390	-	612,835
Labor and other related	7,639	-	369,416	150,910	-	527,965
Other restaurant operating	427	-	342,143	135,654	-	478,224
Depreciation and amortization	507	-	58,578	30,766	-	89,851
General and administrative	35,044	-	59,098	35,455	-	129,597
Loss on contingent debt guarantee	24,500	-	-	-	-	24,500
Goodwill impairment	-	-	1,146	9,932	-	11,078
Provision for impaired assets and restaurant closings	(10)	-	51,533	67,819	-	119,342
Loss (income) from operations of unconsolidated affiliates	303	-	-	(420)	-	(117)
Total costs and expenses	68,410	-	1,328,359	596,506	-	1,993,275
(Loss) income from operations	(68,324)	-	8,535	(63,322)	-	(123,111)
Equity in (losses) earnings of subsidiaries	(63,270)	-	602	-	62,668	-
Gain on extinguishment of debt	158,061	-	-	-	-	158,061
Other expense, net	(6)	-	-	(3,188)	-	(3,194)
Interest expense, net	(46,852)	-	(2,746)	(88)	-	(49,686)
(Loss) income before (benefit) provision for income taxes	(20,391)	-	6,391	(66,598)	62,668	(17,930)
(Benefit) provision for income taxes	(16,477)	-	1,031	2,159	-	(13,287)
Net (loss) income	(3,914)	-	5,360	(68,757)	62,668	(4,643)
Less: net loss attributable to noncontrolling interests	-	-	-	(729)	-	(729)
Net (loss) income attributable to OSI Restaurant Partners, LLC	$ (3,914)	$ -	$ 5,360	$ (68,028)	$ 62,668	$ (3,914)

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

12. Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2010

	OSI Parent	OSI Co-Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Cash flows from operating activities:						
Net cash provided by (used in) operating activities	$ 43,489	$ -	$ (44,984)	$ 2,640	$ -	$ 1,145
Cash flows used in investing activities:						
Purchases of Company-owned life insurance	(641)	-	-	-	-	(641)
Proceeds from sale of Company-owned life insurance	4,011	-	-	-	-	4,011
De-consolidation of subsidiary	(4,398)	-	-	-	-	(4,398)
Capital expenditures	(3,002)	-	(18,008)	(5,463)	-	(26,473)
Restricted cash received for capital expenditures, property taxes and certain deferred compensation plans	4,335	-	4,558	-	-	8,893
Restricted cash used to fund capital expenditures, property taxes and certain deferred compensation plans	(4,554)	-	(5,651)	-	-	(10,205)
Net cash used in investing activities	(4,249)	-	(19,101)	(5,463)	-	(28,813)
Cash flows used in financing activities:						
Repayments of long-term debt	(68,456)	-	(1,538)	(907)	-	(70,901)
Proceeds from borrowings on revolving credit facilities	21,000	-	-	-	-	21,000
Repayments of borrowings on revolving credit facilities	(55,928)	-	-	-	-	(55,928)
Deferred financing fees	(1,286)	-	-	-	-	(1,286)
Contributions from noncontrolling interests	-	-	-	103	-	103
Distributions to noncontrolling interests	-	-	(1,124)	(5,301)	-	(6,425)
Repayment of partner deposit and accrued buyout contributions	(4,239)	-	(5,355)	(1,543)	-	(11,137)
Receipt of partner deposit and accrued buyout contributions	572	-	1,281	529	-	2,382
Net cash used in financing activities	(108,337)	-	(6,736)	(7,119)	-	(122,192)
Effect of exchange rate changes on cash and cash equivalents	-	-	-	(1,659)	-	(1,659)
Net decrease in cash and cash equivalents	(69,097)	-	(70,821)	(11,601)	-	(151,519)
Cash and cash equivalents at the beginning of the period	105,906	-	124,560	58,696	-	289,162
Cash and cash equivalents at the end of the period	$ 36,809	$ -	$ 53,739	$ 47,095	$ -	$ 137,643

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

12. Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2009

	OSI Parent	OSI Co-Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Cash flows from operating activities:						
Net cash (used in) provided by operating activities	$ (72,872)	$ -	$ 4,165	$ 28,612	$ -	$ (40,095)
Cash flows provided by (used in) investing activities:						
Purchases of Company-owned life insurance	(6,571)	-	-	-	-	(6,571)
Proceeds from sale of Company-owned life insurance	9,657	-	-	-	-	9,657
Capital expenditures	(2,133)	-	(17,951)	(12,576)	-	(32,660)
Proceeds from the sale of property, fixtures and equipment	-	-	961	-	-	961
Restricted cash received for capital expenditures, property taxes and certain deferred compensation plans	12,928	-	4,222	-	-	17,150
Restricted cash used to fund capital expenditures, property taxes and certain deferred compensation plans	(11,309)	-	(4,560)	-	-	(15,869)
Net cash provided by (used in) investing activities	2,572	-	(17,328)	(12,576)	-	(27,332)
Cash flows used in financing activities:						
Proceeds from issuance of long-term debt	700	-	-	-	-	700
Repayments of long-term debt	(19,250)	-	(3,486)	(1,115)	-	(23,851)
Extinguishment of senior notes	(75,967)	-	-	-	-	(75,967)
Deferred financing fees	-	-	-	(155)	-	(155)
Purchase of note related to guaranteed debt	-	-	-	(33,283)	-	(33,283)
Contribution from OSI HoldCo, Inc.	47,000	-	-	-	-	47,000
Contributions from noncontrolling interests	-	-	-	340	-	340
Distributions to noncontrolling interests	-	-	-	(4,700)	-	(4,700)
Repayment of partner deposit and accrued buyout contributions	(119)	-	(1,305)	(1,039)	-	(2,463)
Receipt of partner deposit and accrued buyout contributions	-	-	1,155	699	-	1,854
Net cash used in financing activities	(47,636)	-	(3,636)	(39,253)	-	(90,525)
Effect of exchange rate changes on cash and cash equivalents	-	-	-	(1,137)	-	(1,137)
Net decrease in cash and cash equivalents	(117,936)	-	(16,799)	(24,354)	-	(159,089)
Cash and cash equivalents at the beginning of the period	178,275	-	51,637	41,558	-	271,470
Cash and cash equivalents at the end of the period	$ 60,339	$ -	$ 34,838	$ 17,204	$ -	$ 112,381

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

13. Commitments and Contingencies

Litigation Related Matters

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 material adverse impact on the Company's financial position or results of operations and cash flows. The Company accrues for loss contingencies that are probable and reasonably estimable. The Company generally does not accrue for legal costs expected to be incurred with a loss contingency until those services are provided.

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:

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 managing, chef and area operating partners who hold partnership interests in limited partnerships with the Company's 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 written protest of the proposed employment tax assessment with IRS Appeals. In December 2009, IRS Appeals returned the case to the IRS employment tax examiner for consideration of a partnership procedural issue that was raised in the protest. In light of this development, the Company 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 if the IRS decides to pursue the dispute. If the IRS examiner's position were to be sustained at the administrative level, the additional employment taxes and other amounts that would be assessed would be material.

On December 29, 2008, American Restaurants, Inc. ("American Restaurants") filed a Petition with the United States District Court for the Southern District of Florida, captioned American Restaurants, Inc. v. Outback Steakhouse International, L.P., seeking confirmation of a purported November 24, 2008 arbitration award against Outback Steakhouse International, L.P. ("Outback International"), the Company's indirect wholly-owned subsidiary, in the amount of $97,997,000, plus interest from August 7, 2006. The award purportedly resolved a dispute involving 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 the petition to confirm and raised five separate and independent defenses to confirmation under Article 5 of the Inter-American Convention on International Commercial Arbitration. On July 28, 2009, the U.S. District Court for the Southern District of Florida stayed all further proceedings and closed the case administratively, pending final resolution of Outback International's appeal before the Argentine Commercial Court of Appeals ("Argentine Court of Appeals") seeking annulment of the purported award.

On December 9, 2008, in accordance with a 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 Court of Appeals seeking to annul the purported award. On June 26, 2009, the Argentine Court of Appeals accepted Outback International's appeal and expressly suspended enforcement of the purported award in Argentina pending the outcome of Outback International's appeal seeking nullification. On May 14, 2010, the Argentine Court of Appeals granted Outback International's petition and declared the purported award null and void. The Argentine Court of Appeals also levied all costs against American Restaurants. On July 7, 2010, American Restaurants filed an extraordinary appeal with the Argentine Court of Appeals arguing that its May 14, 2010 nullification decision was in error and should be reviewed by the Argentine Supreme Court. Outback International will timely respond to the extraordinary appeal.

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

13. Commitments and Contingencies (continued)

Litigation Related Matters (continued)

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.

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.

On February 19, 2009, the Company filed an action in Florida 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 (see Note 6). The action seeks payment on a promissory note made by T-Bird that the Company purchased from T-Bird's former lender, among other remedies. The principal balance on the promissory note, plus accrued and unpaid interest, was approximately $33,000,000 at the time it was purchased. On July 31, 2009, the court denied T-Bird's motions to dismiss for lack of personal jurisdiction and improper venue. On September 11, 2009, T-Bird and certain of its affiliates filed an answer and counterclaims. The answer generally denied T-Bird's liability on the loan, and the counterclaims restated the same claims made by T-Bird in its California action (as described below). The Company filed motions to dismiss all counterclaims for failure to state a claim. Discovery has commenced on both its claims and T-Bird's counterclaims.

On February 20, 2009, T-Bird and certain of its affiliates filed suit in California 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. The Company filed motions to dismiss T-Bird's complaint on the grounds that a binding agreement related to the loan at issue in the Florida litigation requires that T-Bird litigate its claims in Florida, rather than in California. On September 11, 2009, the motion to dismiss was granted as to all counts and the case was dismissed. On May 17, 2010, the California Court of Appeal reversed the trial court and ordered T-Bird's complaint be reinstated. The Company has filed a petition with the California Supreme Court seeking further review of the California Court of Appeal's decision.

Other

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.

As of June 30, 2010 and December 31, 2009, the Company is due $3,882,000 and $4,415,000, respectively, from RY-8 for interest and renewal fees on the line of credit and capital expenditures for additional restaurant development made on behalf of RY-8 because the joint venture partner's $24,500,000 line of credit was fully extended. This amount is eliminated in consolidation (see Note 6). Additional payments on behalf of RY-8 may be required in the future.

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

14. Related Parties

Private Restaurant Properties, LLC

In connection with the Merger, the Company caused its wholly-owned subsidiaries to sell substantially all of the Company's domestic restaurant properties at fair market value to its sister company, PRP, for approximately $987,700,000. PRP then simultaneously leased the properties to Private Restaurant Master Lessee, LLC (the "Master Lessee"), the Company's wholly-owned subsidiary, under a 15-year master lease. The sale at fair market value to PRP and subsequent leaseback by the Master Lessee qualified for sale-leaseback accounting treatment and 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 accrued $5,712,000 for six closed locations and $5,086,000 for five closed locations related to Release Amounts at June 30, 2010 and December 31, 2009, respectively. The Company is not required to pay PRP the Release Amounts until the sales occur.

Kangaroo Holdings, Inc. and Management

On June 14, 2010 and 2009, 240,316 and 2,978,437 shares of KHI restricted stock, respectively, issued to four of the Company's executive officers and other members of management vested either pursuant to the terms of the applicable restricted stock agreements or pursuant to amendments to the restricted stock agreements for certain of the Company's named executive officers. The shares of restricted stock that vested were originally "rolled over" from OSI Restaurant Partners, Inc. in conjunction with the Merger or issued under a separate agreement and were not issued under the KHI Equity Plan. In accordance with the terms of their applicable agreements, KHI loaned an aggregate of $727,000 and $3,347,000 to these individuals in June and July of 2010 and 2009, respectively, for their personal income tax and associated interest obligations that resulted from vesting. The loans are full recourse and are also collateralized by the vested shares of KHI restricted stock.

15. Subsequent Events

On July 1, 2008, the Company sold one of its aircraft for $8,100,000 to Billabong Air II, Inc. ("Billabong"), which is owned by two of the Company's Founders who are also Board members of the Company and of KHI. The resulting $1,400,000 gain from the sale of the aircraft was deferred and recognized ratably over a five-year period in connection with the Company's lease agreement for this aircraft with Billabong. This lease agreement was for a one-year period with successive one-year renewal periods at the Company's option and permitted the Company to lease up to 200 hours of flight time per year at a rate of $2,900 per hour as long as the Company supplied its own fuel, pilots and maintenance staff when using the plane. On July 1, 2010, the Company did not renew this lease agreement and recognized the remaining $854,000 deferred gain.

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 our 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 five restaurant concepts, more than 1,425 system-wide restaurants and 2009 revenues exceeding $3.6 billion. As of June 30, 2010, we operate in 49 states and in 23 countries internationally, predominantly through Company-owned restaurants, but we also operate under a variety of partnerships and franchises. Our operating concepts consist of Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill, Fleming's Prime Steakhouse and Wine Bar and Roy's. Our long-range plan is to exit our Roy's concept, but we have not established a timeframe to do so.

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 can vary due to competitive pricing strategies and 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 current initiatives to drive traffic at our existing restaurants and our long-term objectives to drive increased sales at existing restaurants in order to raise margins and profits, because the incremental contribution to profits from every additional dollar of sales above the minimum costs required to open, staff and operate a restaurant is relatively high. Historically, we have not been a company focused on growth in the number of restaurants just to generate additional sales. Our expansion and operation strategies have balanced 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.

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

- Average restaurant 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, other restaurant operating expenses, and labor and other related costs);
- System-wide sales - total restaurant 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-store sales - year-over-year comparison of sales volumes for restaurants that are open 18 months or more in order to remove the impact of new openings in comparing the operations of existing restaurants.

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

Overview (continued)

Recessionary economic conditions, specifically in the United States, will continue to present challenges to our business as consumer confidence and discretionary spending, availability of credit, interest rates, foreign currency exchange rates and other market conditions could adversely impact our business trend (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). Although the casual dining segment’s rate of sales decline decelerated in the first half of 2010 as compared to the prior year, the industry continues to be challenged and uncertainty exists about the impact of weakening consumer confidence regarding the pace of economic recovery.

We continue to identify new ways to respond to this challenging environment and have identified the following four key objectives for 2010:

- Revitalize top line growth;
- Elevate organizational effectiveness;
- Accelerate continuous productivity improvement to fund growth; and
- Deliver our 2010 financial plan to maintain stable cash flow while making necessary investments to drive sustainable, long-term growth.

We made progress on our top line revitalization efforts during the first half of 2010, as we generated positive second quarter comparable-store sales and gained traffic share compared to the restaurant segment across our major concepts. We developed unique promotions throughout our concepts that fit our brand positioning, look beyond price and leverage consumer touch points. We also accelerated certain innovation opportunities in our menu, service and operations. For example, we introduced smaller portion menu options for many of the more popular items at Carrabba’s Italian Grill to improve affordability and to appeal to consumers interested in smaller entrée choices. Also, we have been testing additional menu options at Outback Steakhouse to broaden its appeal. As we work towards our goal of achieving sustainable top line growth, we will continue to enhance brand competitiveness, significantly improve our innovation capability and invest in our concepts.

Our key area of focus in elevating organizational effectiveness is in building the appropriate talent and infrastructure to accelerate innovation and drive sustainable top line growth and productivity. We made progress in this area during the first half of 2010 by increasing our resources in consumer insights, research and development, productivity and human resources.

In the area of productivity improvement, we created a team that is responsible for building a sustainable model for continuous improvement that will be identifying best practices and improving productivity resource allocation and utilization. Our 2010 efficiency improvement goal is $50,000,000 or more in savings as compared to 2009, and through the first half of 2010, we are on track to achieve that goal. Of this total, we expect $15,000,000 of savings to be achieved from the initiatives we started last year that did not realize a full year of benefits in 2009. The remainder of the savings will be from new programs. Currently, we are identifying efficiency opportunities for 2011 and beyond so those initiatives will be ready for implementation early next year.

During the first half of 2010, we maintained stable cash flow while investing in the business. In order for this to continue throughout the remainder of the year, we need to balance our investments in infrastructure and long-term brand growth with the benefits of efficiency plans and traffic share gains.

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

Overview (continued)

Our industry's challenges and risks include, but are not limited to, economic conditions, including weak discretionary consumer spending and consumer tolerance of our prices, 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, although we have substantially reduced our development schedule, development or other capital investment is still subject to risk because of the availability of capital under our debt covenant restrictions. Changes in our operations in future periods may also result from changes in beef prices and other commodity costs.

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.

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 JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2010	2009	2010	2009
Revenues				
Restaurant sales	99.1%	99.2%	99.2%	99.3%
Other revenues	0.9	0.8	0.8	0.7
Total revenues	100.0	100.0	100.0	100.0
Costs and expenses				
Cost of sales (1)	32.1	32.4	32.0	33.0
Labor and other related (1)	28.5	28.8	28.2	28.4
Other restaurant operating (1)	26.5	26.9	25.7	25.7
Depreciation and amortization	3.8	4.8	3.8	4.8
General and administrative	7.1	7.9	7.0	6.9
Loss on contingent debt guarantee	-	-	-	1.3
Goodwill impairment	-	1.2	-	0.6
Provision for impaired assets and restaurant closings	0.2	12.4	0.2	6.4
(Income) loss from operations of unconsolidated affiliates	(0.1)	*	(0.1)	(*)
Total costs and expenses	97.4	113.7	96.1	106.6
Income (loss) from operations	2.6	(13.7)	3.9	(6.6)
Gain on extinguishment of debt	-	-	-	8.5
Other income (expense), net	0.1	0.3	0.1	(0.2)
Interest expense, net	(1.8)	(2.5)	(2.0)	(2.7)
Income (loss) before (benefit) provision for income taxes	0.9	(15.9)	2.0	(1.0)
(Benefit) provision for income taxes	(1.2)	(6.2)	0.9	(0.8)
Net income (loss) attributable to OSI Restaurant Partners, LLC	2.1	(9.7)	1.1	(0.2)
Less: net income (loss) attributable to noncontrolling interests	0.2	(0.2)	0.2	(*)
Net income (loss) attributable to OSI Restaurant Partners, LLC	1.9%	(9.5)%	0.9%	(0.2)%

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

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

Results of Operations (continued)

System-wide sales increased by 2.7% and 1.1% for the three and six months ended June 30, 2010 as compared with the corresponding periods in 2009. 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. System-wide sales is comprised of 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, which are sales of Company-owned restaurants:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2010	2009	2010	2009
COMPANY-OWNED RESTAURANT SALES (in millions):				
Outback Steakhouse				
Domestic	$ 509	$ 496	$ 1,023	$ 1,030
International	63	56	135	120
Total	572	552	1,158	1,150
Carrabba's Italian Grill	164	162	337	333
Bonefish Grill	102	95	205	193
Fleming's Prime Steakhouse and Wine Bar	52	47	109	99
Other restaurants (1)	19	43	40	83
Total Company-owned restaurant sales	$ 909	$ 899	$ 1,849	$ 1,858

(1) In September 2009, we sold our Cheeseburger in Paradise concept, which included 34 restaurants, to Paradise Restaurant Group, LLC ("PRG"). Based on the terms of the purchase and sale agreement, we consolidated PRG after the sale transaction. Upon adoption of new accounting guidance for variable interest entities, we de-consolidated PRG on January 1, 2010. As a result, the current periods include primarily our Roy's concept.

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

Results of Operations (continued)

The following information presents the second component of system-wide sales, which are 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 JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2010	2009	2010	2009
FRANCHISE AND DEVELOPMENT JOINT VENTURE SALES (in millions) (1):				
Outback Steakhouse				
Domestic	$ 78	$ 75	$ 155	$ 155
International	52	38	104	72
Total	130	113	259	227
Carrabba's Italian Grill	1	1	2	2
Bonefish Grill	4	4	8	8
Total franchise and development joint venture sales (1)	$ 135	$ 118	$ 269	$ 237
Income from franchise and development joint ventures (2)	$ 7	$ 6	$ 14	$ 11

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

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

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

Results of Operations (continued)

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

	JUNE 30,	
	2010	2009
Number of restaurants (at end of the period):		
Outback Steakhouse		
Company-owned - domestic	674	687
Company-owned - international	119	121
Franchised - domestic	108	108
Franchised and development joint venture - international	65	56
Total	966	972
Carrabba's Italian Grill		
Company-owned	232	231
Franchised	1	1
Total	233	232
Bonefish Grill		
Company-owned	145	144
Franchised	7	7
Total	152	151
Fleming’s Prime Steakhouse and Wine Bar		
Company-owned	64	63
Other		
Company-owned (1)	23	59
System-wide total	1,438	1,477

(1) In September 2009, we sold our Cheeseburger in Paradise concept, which included 34 restaurants, to PRG. Based on the terms of the purchase and sale agreement, we consolidated PRG after the sale transaction. Upon adoption of new accounting guidance for variable interest entities, we de-consolidated PRG on January 1, 2010. As a result, the current period includes only our Roy’s concept.

Our restaurant concepts operate as one reportable segment, as the brands have similar economic characteristics, resulting in similar long-term expected financial performance, as well as nature of products and services, class of customer and distribution methods.

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

Results of Operations (continued)

REVENUES

Restaurant sales

(dollars in thousands):	THREE MONTHS ENDED JUNE 30, 2010	THREE MONTHS ENDED JUNE 30, 2009	$ Change	% Change	SIX MONTHS ENDED JUNE 30, 2010	SIX MONTHS ENDED JUNE 30, 2009	$ Change	% Change
Restaurant sales	$ 908,888	$ 898,716	$ 10,172	1.1%	$ 1,848,903	$ 1,857,795	$ (8,892)	(0.5)%

The increase in restaurant sales for the three months ended June 30, 2010 as compared to the same period in 2009 was attributable to additional revenues of approximately $4,233,000 from the opening of seven new restaurants after June 30, 2009 and increases in comparable-store sales at our existing restaurants. This increase was largely offset by a $22,089,000 decrease from the sale and de-consolidation of 34 Cheeseburger in Paradise locations and the closing of 19 restaurants since June 30, 2009.

The decrease in restaurant sales for the six months ended June 30, 2010 as compared to the same period in 2009 was primarily attributable to a $40,846,000 decrease from the sale and de-consolidation of 34 Cheeseburger in Paradise locations and the closing of 19 restaurants since June 30, 2009 and was partially offset by additional revenues of approximately $7,806,000 from the opening of seven new restaurants after June 30, 2009 and increases in comparable-store sales at our existing restaurants.

The following table includes additional information about changes in restaurant sales at domestic Company-owned restaurants for the three and six months ended June 30, 2010 and 2009:

	THREE MONTHS ENDED JUNE 30, 2010	THREE MONTHS ENDED JUNE 30, 2009	SIX MONTHS ENDED JUNE 30, 2010	SIX MONTHS ENDED JUNE 30, 2009
Average restaurant unit volumes (weekly):				
Outback Steakhouse	$ 57,828	$ 55,481	$ 58,347	$ 57,924
Carrabba's Italian Grill	$ 54,378	$ 54,046	$ 56,259	$ 55,758
Bonefish Grill	$ 54,384	$ 51,325	$ 54,859	$ 52,361
Fleming's Prime Steakhouse and Wine Bar	$ 62,294	$ 57,739	$ 65,814	$ 62,384
Operating weeks:				
Outback Steakhouse	8,804	8,936	17,539	17,781
Carrabba's Italian Grill	3,016	3,003	5,999	5,976
Bonefish Grill	1,881	1,861	3,741	3,691
Fleming's Prime Steakhouse and Wine Bar	832	819	1,655	1,614
Year over year percentage change:				
Menu price (decreases) increases: (1)				
Outback Steakhouse	(0.1)%	1.5%	(0.3)%	1.7%
Carrabba's Italian Grill	0.1%	1.8%	0.1%	1.8%
Bonefish Grill	0.5%	1.2%	0.8%	1.9%
Fleming's Prime Steakhouse and Wine Bar	0.5%	0.6%	0.6%	0.4%
Comparable-store sales (stores open 18 months or more):				
Outback Steakhouse	3.6%	(10.2)%	0.3%	(9.3)%
Carrabba's Italian Grill	0.6%	(5.9)%	0.9%	(6.6)%
Bonefish Grill	5.6%	(8.2)%	4.6%	(9.1)%
Fleming's Prime Steakhouse and Wine Bar	9.0%	(22.4)%	7.0%	(21.0)%

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

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

Results of Operations (continued)

REVENUES (continued)

Other revenues

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
(in thousands):	**2010**	**2009**	**Change**	**2010**	**2009**	**Change**
Other revenues	$ 8,092	$ 7,054	$ 1,038	$ 15,547	$ 12,369	$ 3,178

Other revenues, consisting primarily of initial franchise fees, royalties and sublease revenue, increased in the three and six months ended June 30, 2010 as compared to the same periods in 2009. These increases were primarily attributable to increased development and franchise royalties from international Outback Steakhouse restaurants and to sublease revenue generated from PRG as a result of the sale of our Cheeseburger in Paradise concept.

COSTS AND EXPENSES

Cost of sales

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
(dollars in thousands):	**2010**	**2009**	**Change**	**2010**	**2009**	**Change**
Cost of sales	$ 292,149	$ 291,496		$ 592,450	$ 612,835	
% of Restaurant sales	32.1%	32.4%	(0.3)%	32.0%	33.0%	(1.0)%

Cost of sales, consisting of food and beverage costs, decreased as a percentage of restaurant sales in the three months ended June 30, 2010 as compared with the same period in 2009. The decrease as a percentage of restaurant sales was primarily 1.2% from the impact of certain cost savings initiatives and 0.6% from decreases in beef costs. The decrease was partially offset by increases as a percentage of restaurant sales of the following: (i) 0.6% due to changes in our product mix, (ii) 0.3% from increases in produce and dairy costs, (iii) 0.2% as a result of menu price changes and (iv) 0.2% from limited time offers and other promotions.

The decrease as a percentage of restaurant sales in the six months ended June 30, 2010 as compared to the same period in 2009 was primarily 1.2% from the impact of certain cost savings initiatives and 0.6% from decreases in beef costs. The decrease was partially offset by increases as a percentage of restaurant sales of the following: (i) 0.3% due to changes in our product mix, (ii) 0.2% as a result of menu price changes and (iii) 0.2% from limited time offers and other promotions.

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

Results of Operations (continued)

COSTS AND EXPENSES (continued)

Labor and other related expenses

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
(dollars in thousands):	**2010**	**2009**	**Change**	**2010**	**2009**	**Change**
Labor and other related	$ 259,044	$ 258,394		$ 520,946	$ 527,965	
% of Restaurant sales	28.5%	28.8%	(0.3)%	28.2%	28.4%	(0.2)%

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 decreased as a percentage of restaurant sales in the three months ended June 30, 2010 as compared with the same period in 2009. The decrease as a percentage of restaurant sales was primarily due to the following: (i) 0.5% from the impact of certain cost savings initiatives, (ii) 0.5% from a decrease in expenses incurred as a result of losses on participants' PEP and other deferred compensation investment accounts and (iii) 0.3% from increases in average unit volumes at our restaurants. The decrease was partially offset by an increase as a percentage of restaurant sales of 1.0% from higher kitchen, service and management labor costs, including payroll tax and health insurance expense.

The decrease as a percentage of restaurant sales in the six months ended June 30, 2010 as compared to the same period in 2009 was primarily 0.6% from the impact of certain cost savings initiatives and 0.2% from a decrease in expenses incurred as a result of losses on participants' PEP and other deferred compensation investment accounts. The decrease was partially offset by an increase as a percentage of restaurant sales of 0.5% from higher kitchen, service and management labor costs, including payroll tax and health insurance expense.

Other restaurant operating expenses

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
(dollars in thousands):	**2010**	**2009**	**Change**	**2010**	**2009**	**Change**
Other restaurant operating	$ 240,848	$ 241,475		$ 475,963	$ 478,224	
% of Restaurant sales	26.5%	26.9%	(0.4)%	25.7%	25.7%	0.0%

Other restaurant operating expenses include certain unit-level operating costs such as operating supplies, rent, repairs and maintenance, advertising expenses, utilities, pre-opening costs and other occupancy costs. A substantial portion of these expenses is fixed or indirectly variable. The decrease as a percentage of restaurant sales in the three months ended June 30, 2010 as compared to the same period in 2009 was primarily due to the following: (i) 0.6% from increases in average unit volumes at our restaurants, (ii) 0.2% from declines in utilities and pre-opening costs and (iii) 0.2% from certain cost savings initiatives. The decrease was partially offset by increases as a percentage of restaurant sales of 0.4% from increases in advertising costs and 0.4% from increases in other costs such as repairs and maintenance, occupancy and operating supplies.

The six months ended June 30, 2010 as compared to the same period in 2009 was flat as a percentage of restaurant sales. An increase as a percentage of restaurant sales of 0.6% from an increase in advertising costs was offset by decreases as a percentage of restaurant sales of the following: (i) 0.2% from certain cost savings initiatives, (ii) 0.2% from increases in average unit volumes at our restaurants and (iii) 0.2% from decreases in utilities costs.

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

Results of Operations (continued)

COSTS AND EXPENSES (continued)

Depreciation and amortization

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
(dollars in thousands):	2010	2009	Change	2010	2009	Change
Depreciation and amortization	$ 35,040	$ 43,479		$ 70,854	$ 89,851	
% of Total revenues	3.8%	4.8%	(1.0)%	3.8%	4.8%	(1.0)%

Depreciation and amortization expense decreased as a percentage of total revenues in the three and six months ended June 30, 2010 as compared to the same periods in 2009 as a result of certain assets being fully depreciated as of June 2009 and increases in average unit volumes at our restaurants.

General and administrative

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
(in thousands):	2010	2009	Change	2010	2009	Change
General and administrative	$ 65,022	$ 71,114	$ (6,092)	$ 130,041	$ 129,597	$ 444

General and administrative costs decreased in the three months ended June 30, 2010 as compared to the same period in 2009 primarily due to a $12,900,000 decrease in restricted stock, deferred compensation and partner buyout expenses that was mostly due to the accelerated vesting of restricted stock in the first half of 2009 and a $3,600,000 shift in the timing of field operations' meeting expenses to the first quarter of 2010 as opposed to the second quarter of 2009. This decrease was partially offset by an incremental $6,500,000 loss on the cash surrender value of life insurance and PEP and by $3,200,000 of additional consulting fees related to our productivity improvement and brand growth strategies in the three months ended June 30, 2010 as compared to the same period in 2009.

These costs increased in the six months ended June 30, 2010 as compared to the same period in 2009 primarily due to the following: (i) $6,400,000 of additional consulting fees related to our productivity improvement and brand growth strategies, (ii) an incremental $4,700,000 loss on the cash surrender value of life insurance and PEP, (iii) $2,500,000 of increased general and administrative costs associated with field support, managers-in-training and distribution expense and (iv) $2,400,000 of additional bonus and compensation expenses. This increase was partially offset by a $14,200,000 decrease in restricted stock, deferred compensation and partner buyout expenses that was mostly due to the accelerated vesting of restricted stock in the first half of 2009.

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 associated with this guarantee for the six months ended June 30, 2009.

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

COSTS AND EXPENSES (continued)

Goodwill impairment

We recorded a goodwill impairment charge of $11,078,000 for the domestic Outback Steakhouse, Bonefish Grill and Fleming's Prime Steakhouse and Wine Bar concepts during the second quarter of 2009 in connection with our annual impairment test. Our review of the recoverability of goodwill was based primarily upon an analysis of the discounted cash flows of the related reporting units as compared to the carrying values. These goodwill impairment charges occurred due to poor overall economic conditions, declining sales at our restaurants, reductions in our projected results for future periods and a challenging environment for the restaurant industry.

Provision for impaired assets and restaurant closings

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
(in thousands):	2010	2009	Change	2010	2009	Change
Provision for impaired assets and restaurant closings	$ 2,082	$ 112,206	$ (110,124)	$ 4,014	$ 119,342	$ (115,328)

During the second quarter of 2010, we recorded a provision for impaired assets and restaurant closings of $2,082,000 which was primarily restaurant closing expense for certain of our restaurants. During the second quarter of 2009, we recorded a provision for impaired assets and restaurant closings of $112,206,000 which primarily included $45,962,000 of impairment charges to reduce the carrying value of the assets of Cheeseburger in Paradise to their estimated fair market value due to the concept's third quarter of 2009 sale, $36,000,000 of impairment charges for the domestic Outback Steakhouse and Carrabba's Italian Grill trade names, $29,435,000 of impairment charges and restaurant closing expense for certain of our other restaurants.

During the first half of 2010, we recorded a provision for impaired assets and restaurant closings of $4,014,000 which was primarily restaurant closing expense for certain of our restaurants. During the first half of 2009, we recorded a provision for impaired assets and restaurant closings of $119,342,000 which primarily included $45,962,000 of impairment charges to reduce the carrying value of the assets of Cheeseburger in Paradise to their estimated fair market value due to the concept's third quarter of 2009 sale, $36,225,000 of impairment charges and restaurant closing expense for certain of our other restaurants, $36,000,000 of impairment charges for the domestic Outback Steakhouse and Carrabba's Italian Grill trade names.

We used the discounted cash flow method to determine the fair value of our intangible assets. The trade name impairment charges occurred due to poor overall economic conditions, declining sales at our restaurants, reductions in our projected results for future periods and a challenging environment for the restaurant industry. 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.

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

Results of Operations (continued)

COSTS AND EXPENSES (continued)

Gain on extinguishment of debt

During the first quarter of 2009, we purchased $240,145,000 in aggregate principal amount of our senior notes in a cash tender offer. We paid $72,998,000 for the senior notes purchased and $6,671,000 of accrued interest. We recorded a gain from the extinguishment of our debt of $158,061,000 for the six months ended June 30, 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 income (expense), net

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
(in thousands):	**2010**	**2009**	**Change**	**2010**	**2009**	**Change**
Other income (expense), net	$ 876	$ 2,466	$ (1,590)	$ 993	$ (3,194)	$ 4,187

Other income (expense), net represents foreign currency transaction gains (losses) resulting from fluctuations in foreign currency exchange rates on certain international intercompany loans.

Interest expense, net

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
(in thousands):	**2010**	**2009**	**Change**	**2010**	**2009**	**Change**
Interest expense, net	$ 16,623	$ 22,871	$ (6,248)	$ 35,335	$ 49,686	$ (14,351)

The decrease in net interest expense for the three months ended June 30, 2010 as compared to the same period in 2009 was primarily due to a $4,890,000 net decrease in interest expense on our interest rate collar.

The decrease in net interest expense for the six months ended June 30, 2010 as compared to the same period in 2009 was primarily due to a net $6,480,000 decrease in interest expense on our interest rate collar and an approximately $5,200,000 reduction of interest expense as a result of the $240,145,000 decrease in outstanding senior notes from our completion of a cash tender offer during March of 2009.

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

Results of Operations (continued)

COSTS AND EXPENSES (continued)

(Benefit) provision for income taxes

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
	2010	2009	Change	2010	2009	Change
Effective income tax rate	(141.7)%	38.9%	(180.6)%	45.8%	74.1%	(28.3)%

The decrease in the effective income tax rate in the three months ended June 30, 2010 as compared to the same period in 2009 was primarily attributable to an increase in the projected pre-tax book income as compared to the previous period. It was partially offset by an increase in the valuation allowance on deferred tax assets for excess tax credits expected for the year and income taxes expected in states that only have limited deductions in computing taxable income being a larger percentage of projected pre-tax income for the year.

The decrease in the effective income tax rate in the six months ended June 30, 2010 as compared to the same period in 2009 was primarily due to the increase in the valuation allowance on deferred tax assets for excess tax credits expected for the year and to the $11,078,000 goodwill impairment charge recorded in the six months ended June 30, 2009. This goodwill impairment charge is not deductible for tax purposes, as the goodwill is related to KHI’s acquisition of OSI Restaurant Partners, Inc’s stock.

The effective income tax rate for the six months ended June 30, 2010 was higher than the combined federal and state statutory rate of 38.9% due to an increase in the valuation allowance on deferred tax assets for excess tax credits expected for the year and income taxes expected in states that only have limited deductions in computing taxable income being a larger percentage of projected pre-tax income for the year.

Net income (loss) attributable to noncontrolling interests

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
(in thousands):	2010	2009	Change	2010	2009	Change
Net income (loss) attributable to noncontrolling interests	$ 1,598	$ (1,794)	$ 3,392	$ 3,849	$ (729)	$ 4,578

The allocation of net income (loss) attributable to noncontrolling interests represents the portion of income or loss from operations included in the consolidated operating results attributable to the noncontrolling ownership interests in certain restaurants that are not wholly-owned. The increase for the three and six months ended June 30, 2010 as compared to the same periods in 2009 is primarily due to improved operating results at Fleming’s Prime Steakhouse and Wine Bar and Roy’s.

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

Financial Condition

Cash and cash equivalents was $137,643,000 at June 30, 2010 as compared with $289,162,000 at December 31, 2009. This decrease was primarily due to $126,787,000 of repayments of debt and the seasonal pattern of gift card sales which typically results in peak cash balances during our fourth quarter. Inventories were $47,326,000 at June 30, 2010 as compared with $57,223,000 at December 31, 2009. This decrease was primarily attributable to seasonality and timing of product delivery.

Working capital (deficit) totaled ($245,089,000) and ($228,219,000) at June 30, 2010 and December 31, 2009, respectively, and included Unearned revenue from unredeemed gift cards of $148,208,000 and $237,580,000 at June 30, 2010 and December 31, 2009, respectively.

Current liabilities totaled $548,744,000 at June 30, 2010 as compared with $712,731,000 at December 31, 2009 with the decrease primarily due to a decrease in Unearned revenue of $89,372,000 and a decrease in Accrued and other current liabilities of $54,173,000. The decrease in Unearned revenue was due to the seasonal pattern of gift card sales and redemptions. The decrease in Accrued and other current liabilities was partially due to a $19,000,000 reduction in accrued insurance as a result of a settlement payment for a class action lawsuit; this settlement also caused a corresponding decrease in insurance receivable. Additionally, the decrease in Accrued and other current liabilities was due to a $12,355,000 decline in our interest rate collar liability at June 30, 2010 as compared to December 31, 2009 and to a decrease in accrued payroll and other compensation as a result of the payment in 2010 of bonuses accrued for at December 31, 2009.

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 recessionary economic conditions since 2008 have created a challenging environment for us and for the restaurant industry, and these factors have limited and may continue to limit our liquidity. During 2009, we experienced declining revenues, comparable store sales and operating cash flows and incurred operating losses. We also incurred goodwill impairment charges of $11,078,000, intangible asset impairment charges of $43,741,000, the majority of which were recorded during the second quarter of 2009, and restaurant and other impairment charges of $94,471,000. During the first half of 2010, we experienced a strengthening of trends in consumer traffic and increases in comparable-store sales. Notwithstanding these recent signs of improvement, the industry continues to be challenged and uncertainty exists as to the level and sustainability of these favorable trends.

Since 2008, we have continued to implement various cost-saving initiatives, including food cost decreases through waste reduction and supply chain efficiency, labor efficiency initiatives and reductions to capital expenditures. We developed new menu items to appeal to value-conscious consumers and used marketing campaigns to promote these items. Additionally, net interest expense declined by 28.9% for the first half of 2010 as compared to the same period in 2009 primarily due to a net $6,480,000 decrease in interest expense on our interest rate collar and a decrease of approximately $5,200,000 related to the $240,145,000 decrease in outstanding senior notes from our completion of a cash tender offer during March of 2009. Based on anticipated revenues and cash flows, we believe that the implemented initiatives 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 our knowledge of economic and industry trends and our historical restaurant sales combined with the results of our cost savings initiatives. However, deterioration in excess of our estimates could cause an adverse impact on our liquidity and financial position.

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

Liquidity and Capital Resources (continued)

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

At June 30, 2010 and December 31, 2009, $70,457,000 and $71,632,000, respectively, of the working capital revolving credit facility was committed for the issuance of letters of credit (see "Credit Facilities and Other Indebtedness" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations"). We may have to extend additional letters of credit in the future. If the need for letters of credit exceeds the remaining availability on our working capital revolving credit facility, we may have to use cash to fulfill our collateral requirements.

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 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. 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 Item 1A. "Risk Factors" included in our Annual Report on Form 10-K for the year-ended December 31, 2009 (the "2009 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 June 30, 2010, we were in compliance with our covenants (see "Credit Facilities and Other Indebtedness" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations"). However, our continued compliance with these covenants will, among other items, depend on our future levels of cash flow, which will be affected by our level of restaurant sales and/or our ability to successfully manage costs and our working capital.

CAPITAL EXPENDITURES

Capital expenditures totaled approximately $26,473,000 and $32,660,000 for the six months ended June 30, 2010 and 2009, respectively. We estimate that our capital expenditures will total approximately $70,000,000 to $90,000,000 in 2010. As a result of conditions described in our credit agreement, our capital expenditures in 2010 are limited to $100,000,000 (see "Credit Facilities and Other Indebtedness" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations").

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 2010.

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

Liquidity and Capital Resources (continued)

SUMMARY OF CASH FLOWS

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

	SIX MONTHS ENDED JUNE 30,	
	2010	2009
Net cash provided by (used in) operating activities	$ 1,145	$ (40,095)
Net cash used in investing activities	(28,813)	(27,332)
Net cash used in financing activities	(122,192)	(90,525)
Effect of exchange rate changes on cash and cash equivalents	(1,659)	(1,137)
Net decrease in cash and cash equivalents	$ (151,519)	$ (159,089)

Operating activities

Net cash provided by operating activities was $1,145,000 for the six months ended June 30, 2010 compared to net cash (used in) operating activities of ($40,095,000) for the same period in 2009. The difference was primarily attributable to a delay in Accounts payable payments at December 31, 2008 and an increase in cash generated from restaurant operations. It was partially offset by a significant increase in bonuses paid during the six months ended June 30, 2010 as compared to the same period in 2009. These bonuses related to the prior years and were accrued for at December 31, 2009 and 2008. Additionally, it was partially offset by a significant decline in inventory during the first half of 2009 as a result of utilization of inventory on hand.

Investing activities

Net cash used in investing activities for the six months ended June 30, 2010 was $28,813,000 compared to $27,332,000 for the same period in 2009. Net cash used in investing activities during the six months ended June 30, 2010 consisted primarily of capital expenditures of $26,473,000 and de-consolidated PRG cash of $4,398,000. This was partially offset by the $3,370,000 net difference between the proceeds from the sale and purchases of Company-owned life insurance. Net cash used in investing activities for the six months ended June 30, 2009 consisted primarily of capital expenditures of $32,660,000. This was partially offset by the $3,086,000 net difference between the proceeds from the sale and purchases of Company-owned life insurance.

Financing activities

Net cash used in financing activities for the six months ended June 30, 2010 was $122,192,000 compared to $90,525,000 for the same period in 2009. Net cash used in financing activities during the six months ended June 30, 2010 was primarily attributable to repayments of borrowings on revolving credit facilities and long-term debt of $126,829,000. This was partially offset by proceeds from borrowings on revolving credit facilities of $21,000,000. Net cash used in financing activities during the six months ended June 30, 2009 was primarily attributable to (i) $75,967,000 of cash paid for the extinguishment of a portion of our senior notes and related fees, (ii) $33,283,000 of cash paid for the purchase of the note related to our guaranteed debt for T-Bird Nevada, LLC (“T-Bird), a limited liability company owned by the principal of each of our California franchisees of Outback Steakhouse restaurants and (iii) repayments of long-term debt of $23,851,000. This was partially offset by a $47,000,000 contribution from OSI HoldCo, Inc., our direct owner, to partially fund our extinguishment of a portion of our senior notes.

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

CREDIT FACILITIES AND OTHER INDEBTEDNESS

On June 14, 2007, in connection with the merger and related transactions (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 June 30, 2010 and December 31, 2009). The Eurocurrency Rate option is the 30, 60, 90 or 180-day Eurocurrency Rate ("Eurocurrency Rate") (ranging from 0.35% to 0.75% and from 0.26% to 0.46% at June 30, 2010 and December 31, 2009, 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 June 30, 2010 and December 31, 2009).

We are 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 $75,000,000 for each 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.

Additionally, we are required, on an annual basis, 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 2010, we repaid $5,928,000 of 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 $1,103,450,000 and $1,171,900,000 at June 30, 2010 and December 31, 2009, respectively. We classified $75,000,000 of our term loans as current at June 30, 2010 and December 31, 2009 due to our prepayment requirements and quarterly payments. In April 2010, we made the remainder of our $75,000,000 prepayment for 2009 that is required by the credit agreement, as described above.

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

CREDIT FACILITIES AND OTHER INDEBTEDNESS (continued)

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. There were no loans outstanding under the revolving credit facility at June 30, 2010. At December 31, 2009, the outstanding balance was $50,000,000. This borrowing was recorded in "Current portion of long-term debt" in our Consolidated Balance Sheet at December 31, 2009, since it was repaid during the first quarter of 2010. In addition to outstanding borrowings, if any, at June 30, 2010 and December 31, 2009, $70,457,000 and $71,632,000, respectively, of the credit facility was committed for the issuance of letters of credit. We may have to extend additional letters of credit in the future. 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. As of June 30, 2010 and December 31, 2009, we had borrowed $38,072,000 and $23,000,000, respectively, from our pre-funded revolving credit facility. We recorded $38,072,000 in "Current portion of long-term debt" in our Consolidated Balance Sheet at June 30, 2010 and $5,928,000 in "Current portion of long-term debt" and $17,072,000 in "Long-term debt" in our Consolidated Balance Sheet at December 31, 2009, as we are required to repay any outstanding loans in April following each fiscal year using our "annual true cash flow," as defined in the credit agreement. The amount of "annual true cash flow" available to repay outstanding loans under the pre-funded revolving credit facility may vary based on year-end results. 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. Fees for the unused portion of the pre-funded revolving credit facility are 2.43%. In July 2010, we borrowed $5,000,000 from our pre-funded revolving credit facility.

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 and certain other adjustments 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 ("RALR"), as defined, is greater than or equal to 5.25 to 1.00, 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 June 30, 2010 and December 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").

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

Liquidity and Capital Resources (continued)

CREDIT FACILITIES AND OTHER INDEBTEDNESS (continued)

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 RALR at the end of a fiscal year is greater than 5.25 to 1.00, (ii) the "annual true cash flow" is 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 RALR is less than 5.25 to 1.00. In 2010, our capital expenditures are limited to $100,000,000 as a result of the conditions described above.

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"), a third-party trustee and each of our current and future domestic 100% owned restricted subsidiaries in our Outback Steakhouse and Carrabba's Italian Grill concepts and certain non-restaurant subsidiaries (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 principal balance of senior notes outstanding at June 30, 2010 and December 31, 2009 was $248,075,000.

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.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases in the open market, 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.

On June 14, 2010, our one-year line of credit with a maximum borrowing amount of 10,000,000,000 Korean won and our one-year overdraft line of credit with a maximum borrowing amount of 5,000,000,000 Korean won matured and were not renewed. There were no draws outstanding on these lines of credit.

Liquidity and Capital Resources (continued)

DEBT GUARANTEES

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 June 30, 2010 and December 31, 2009, 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. At June 30, 2010 and December 31, 2009, $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 one of the two guarantors, 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 under 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.

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

GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS

During the second quarter of 2010, we performed our annual assessment for impairment of goodwill and other indefinite-lived intangible assets. Our review of the recoverability of goodwill was based primarily upon an analysis of the discounted cash flows of the related reporting units as compared to the carrying values. We also used the discounted cash flow method to determine the fair value of our indefinite-lived intangible assets. We did not record any goodwill or indefinite-lived intangible asset impairment charges as a result of this assessment and determined that none of our reporting units are at risk for material goodwill impairment.

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

Liquidity and Capital Resources (continued)

FAIR VALUE MEASUREMENTS

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date (exit price) and is a market-based measurement, not an entity-specific measurement. 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. 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 London Interbank Offered Rate ("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 expensed $6,823,000 and $13,677,000 of interest for the three and six months ended June 30, 2010, respectively, and $4,497,000 and $8,338,000 of interest for the three and six months ended June 30, 2009, respectively, as a result of the quarterly expiration of the collar's option pairs. We record mark-to-market changes in the fair value of the derivative instrument in earnings in the period of change. We included $6,103,000 and $18,458,000 in the line item "Accrued and other current liabilities" in our Consolidated Balance Sheets as of June 30, 2010 and December 31, 2009 respectively, and included $7,065,000 and $12,355,000 of net interest income for the three and six months ended June 30, 2010, respectively, and included $151,000 of net interest expense and $536,000 of net interest income for the three and six months ended June 30, 2009, respectively, in the line item "Interest expense" in our Consolidated Statements of Operations for the mark-to-market effects of this derivative instrument.

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. Interest rate curves are used to determine forward LIBOR rates on each quarter's interest rate reset date. Since the interest rate collar matures on September 30, 2010, its final interest rate reset date was June 28, 2010.

Although we 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 June 30, 2010, 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 determined that our interest rate collar derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

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

FAIR VALUE MEASUREMENTS (continued)

As of June 30, 2010 and December 31, 2009, 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 $6,276,000 and $19,225,000, respectively. As of June 30, 2010 and December 31, 2009, 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 $6,276,000 at June 30, 2010.

We did not have any material impairment charges as a result of fair value measurements on a nonrecurring basis during the three and six months ended June 30, 2010. Continued sales declines at our restaurants beyond our current projections, unplanned increases in health insurance, commodity or labor costs, further deterioration in overall economic conditions and significant challenges in the restaurant industry may result in future impairment charges. It is possible that changes in circumstances or changes in our judgments, assumptions and estimates, could result in a future impairment charge of a portion or all of our goodwill, other intangible assets or long-lived assets held and used.

STOCK-BASED AND DEFERRED COMPENSATION PLANS

Managing and Chef Partners

Managing and chef partners purchase ownership interests in a Management Partnership and receive distributions based on a percentage of their restaurant's annual cash flows. Upon completion of each five-year term of employment, our managing and chef partners are eligible to participate in a deferred compensation program (the Partner Equity Plan or "PEP"). We require the use of capital to fund the PEP as each managing 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 through June 30, 2012. Actual funding of the current PEP obligation and 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 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. Additionally, 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 June 30, 2010, our total liability with respect to obligations under the PEP, Supplemental PEP, Supplemental Cash and Restricted Stock Contributions was approximately $92,912,000, of which $15,186,000 and $77,726,000 was included in the line items "Accrued and other current liabilities" and "Other long-term liabilities," respectively, in our Consolidated Balance Sheet. As of December 31, 2009, our total liability with respect to obligations under the PEP, Supplemental PEP, Supplemental Cash and Restricted Stock Contributions was approximately $93,752,000, of which $14,971,000 and $78,781,000 was included in the line items "Accrued and other current liabilities" 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.

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

Liquidity and Capital Resources (continued)

STOCK-BASED AND DEFERRED COMPENSATION PLANS (continued)

Managing and Chef Partners (continued)

Prior to the Merger, 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 are entitled to 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 was approximately $6,233,000 as of June 30, 2010, of which $2,571,000 and $3,662,000 was included in the line items "Accrued and other current liabilities" and "Other long-term liabilities," respectively, in our Consolidated Balance Sheet. The amount accrued for the Partner Shares obligation was approximately $5,679,000 as of December 31, 2009 and was included in the line item "Other long-term liabilities" in our Consolidated Balance Sheet.

As of June 30, 2010 and December 31, 2009, we had approximately $54,773,000 and $59,521,000, respectively, in various corporate owned life insurance policies and another $1,328,000 and $1,109,000, 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.

As of June 30, 2010 and December 31, 2009, there were $43,044,000 and $39,613,000, respectively, of unfunded obligations related to the PEP, Supplemental PEP, Supplemental Cash, Restricted Stock Contributions and Partner Shares liabilities that may require the use of cash resources in the future.

DIVIDENDS

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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Recently Issued Financial Accounting Standards

On January 1, 2010, we adopted new accounting guidance related to the consolidation of variable interest entities which requires an analysis to determine whether a variable interest gives the entity a controlling financial interest in a variable interest entity. These changes require an ongoing assessment and eliminate the quantitative approach previously required for determining whether an entity is the primary beneficiary. As a result of this guidance, we no longer consolidate PRG and T-Bird in our consolidated financial statements at and for the three and six months ended June 30, 2010. Combined revenues and net loss included in our Consolidated Statement of Operations for these two entities for the year ended December 31, 2009 was $75,767,000 and $56,476,000, respectively, and combined assets and liabilities included in our Consolidated Balance Sheet at December 31, 2009 was $78,082,000 and $204,634,000, respectively. This guidance caused a $6,078,000 and a $386,000 reduction to the January 1, 2010 balances of Accumulated deficit and Noncontrolling interests, respectively.

In January 2010, the FASB amended the guidance related to fair value measurements and disclosures. Effective for interim and annual reporting periods beginning after December 15, 2009, disclosure of the amount and reasons for significant transfers in and out of Level 1 and Level 2 fair value measurements is required. Further, this guidance clarified that fair value measurement disclosures should be provided for each class of assets and liabilities. The amendment also clarified that for Level 2 and Level 3 fair value measurements, valuation techniques and inputs used for both recurring and nonrecurring fair value measurements are required to be disclosed. The adoption of this guidance on January 1, 2010 did not have a material impact on our consolidated financial statements. Additionally, effective for fiscal years beginning after December 15, 2010, a reporting entity should separately present information about purchases, sales, issuances and settlements on a gross basis in its reconciliation of Level 3 recurring fair value measurements. This accounting guidance is not expected to materially affect our consolidated financial statements.

In October 2009, the FASB provided accounting and reporting guidance for arrangements consisting of multiple revenue-generating activities. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable. The amendments modify the criteria for separating deliverables, measuring, and allocating arrangement consideration to one or more units of accounting. Enhanced disclosures are also required to provide information about a vendor’s multiple-deliverable revenue arrangements, including information about the nature and terms, significant deliverables and its performance within arrangements. The amendments also require providing information about the significant judgments made and changes to those judgments and about how the application of the relative selling-price method affects the timing or amount of revenue recognition. This guidance is effective January 1, 2011, although early application is permitted. We do not expect the adoption of this guidance to materially affect our consolidated financial statements, and we do not plan to early or retroactively adopt this guidance.

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

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 similar 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 or renovate 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) Challenging economic conditions may continue to 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 our prices); 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 or deflation; unemployment rates; interest rates; exchange rates; and increases in various costs, including construction, real estate and health insurance costs;

(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;

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

Cautionary Statement (continued)

(viii) Weather, acts of God and disasters 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.

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, 2009. See Part II, Item 7A., "Quantitative and Qualitative Disclosures about Market Risk" in our Annual Report on Form 10-K for the year ended December 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 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 June 30, 2010.

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 June 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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 material adverse impact on our financial position or results of operations and cash flows. We accrue for loss contingencies that are probable and reasonably estimable. We generally do not accrue for legal costs expected to be incurred with a loss contingency until those services are provided.

We are subject to the following legal proceedings and actions, which depending on the outcomes that are mostly uncertain at this time, could have a material adverse effect on our financial condition:

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. At this time, we are able to reasonably estimate that the range of possible loss for this litigation is immaterial.

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 managing, chef 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 written protest of the proposed employment tax assessment with IRS Appeals. In December 2009, IRS Appeals returned the case to the IRS employment tax examiner for consideration of a partnership procedural issue that was raised in the protest. In light of this development, 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 if the IRS decides to pursue the dispute. If the IRS examiner's position were to be sustained at the administrative level, the additional employment taxes and other amounts that would be assessed would be material.

On December 29, 2008, American Restaurants, Inc. ("American Restaurants") filed a Petition with the United States District Court for the Southern District of Florida, captioned American Restaurants, Inc. v. Outback Steakhouse International, L.P., seeking confirmation of a purported November 24, 2008 arbitration award against Outback Steakhouse International, L.P. ("Outback International"), our indirect wholly-owned subsidiary, in the amount of $97,997,000, plus interest from August 7, 2006. The award purportedly resolved a dispute involving 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 the petition to confirm and raised five separate and independent defenses to confirmation under Article 5 of the Inter-American Convention on International Commercial Arbitration. On July 28, 2009, the U.S. District Court for the Southern District of Florida stayed all further proceedings and closed the case administratively, pending final resolution of Outback International's appeal before the Argentine Commercial Court of Appeals ("Argentine Court of Appeals") seeking annulment of the purported award.

On December 9, 2008, in accordance with a 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 Court of Appeals seeking to annul the purported award. On June 26, 2009, the Argentine Court of Appeals accepted Outback International's appeal and expressly suspended enforcement of the purported award in Argentina pending the outcome of Outback International's appeal seeking nullification. On May 14, 2010, the Argentine Court of Appeals granted Outback International's petition and declared the purported award null and void. The Argentine Court of Appeals also levied all costs against American Restaurants. On July 7, 2010, American Restaurants filed an extraordinary appeal with the Argentine Court of Appeals arguing that its May 14, 2010 nullification decision was in error and should be reviewed by the Argentine Supreme Court. Outback International will timely respond to the extraordinary appeal.

OSI Restaurant Partners, LLC
PART II: OTHER INFORMATION

Item 1. Legal Proceedings (continued)

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.

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 its 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, among other remedies. The principal balance on the promissory note, plus accrued and unpaid interest, was approximately $33,000,000 at the time it was purchased. On July 31, 2009, the Hillsborough County Circuit Court denied T-Bird's motions to dismiss for lack of personal jurisdiction and improper venue. On September 11, 2009, T-Bird and certain of its affiliates filed an answer and counterclaims. The answer generally denied T-Bird's liability on the loan, and the counterclaims restated the same claims made by T-Bird in its California action (as described below). We filed motions to dismiss all counterclaims for failure to state a claim. Discovery has commenced on both our claims and T-Bird's counterclaims.

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. We filed motions to dismiss T-Bird's complaint on the grounds that a binding agreement related to the loan at issue in the Florida litigation requires that T-Bird litigate its claims in Florida, rather than in California. On September 11, 2009, the motion to dismiss was granted as to all counts and the case was dismissed. On May 17, 2010, the California Court of Appeal reversed the trial court and ordered T-Bird's complaint be reinstated. We have filed a petition with the California Supreme Court seeking further review of the California Court of Appeal's decision.

Item 1A. Risk Factors

In addition to the other information discussed in this report, please consider the factors described in Part I, Item 1A., "Risk Factors" in our Annual Report on Form 10-K for the year-ended December 31, 2009 (the "2009 10-K") which could materially affect our business, financial condition or future results. The risks described in our 2009 10-K have not materially changed, except that we have modified one of our risk factors, described below, as a result of the oil spill in the Gulf of Mexico.

Significant adverse weather conditions and other disasters could negatively impact our results of operations.

Adverse weather conditions and acts of God, such as regional winter storms, floods, major hurricanes and earthquakes, and other disasters, such as the oil spill in the Gulf of Mexico, could negatively impact our results of operations. Temporary and prolonged restaurant closures may occur and customer traffic may decline due to the actual or perceived effects from these events.

OSI Restaurant Partners, LLC
PART II: OTHER INFORMATION

Item 6. Exhibits

Number	Description
10.1	Royalty Agreement dated April 1995 among Carrabba's Italian Grill, Inc., Outback Steakhouse, Inc., Mangia Beve, Inc., Carrabba, Inc., Carrabba Woodway, Inc., John C. Carrabba, III, Damian C. Mandola, and John C. Carrabba, Jr., First Amendment to Royalty Agreement dated January 1997 and Second Amendment to Royalty Agreement made and entered into effective April 7, 2010 by and among Carrabba's Italian Grill, LLC, OSI Restaurant Partners, LLC, Mangia Beve, Inc., Mangia Beve II, Inc., Original, Inc., Voss, Inc., John C. Carrabba, III, Damian C. Mandola, and John C. Carrabba, Jr. (filed herewith)
10.2	Amended and Restated Operating Agreement for OSI/Fleming's, LLC made as of June 4, 2010 by and among OS Prime, LLC, a wholly-owned subsidiary of OSI Restaurant Partners, LLC, FPSH Limited Partnership and AWA III Steakhouses, Inc. (filed herewith)
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.

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: August 13, 2010

OSI RESTAURANT PARTNERS, LLC

By: /s/ Dirk A. Montgomery

Dirk A. Montgomery
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

[Remainder of page intentionally left blank]

Exhibit 10.1

ROYALTY AGREEMENT

This ROYALTY AGREEMENT ("Agreement") is made and entered into this 1st day of April, 1995, by and among CARRABBA'S ITALIAN GRILL, INC., a Florida corporation having its principal office located at 550 North Reo Street, Suite 200, Tampa, Florida 33609 (hereinafter "CIGI"), OUTBACK STEAKHOUSE, INC., a Delaware corporation having its principal office located at 550 North Reo Street, Suite 200, Tampa, Florida 33609 (hereinafter "Outback"), MANGIA BEVE, INC., a Texas corporation having its principal office at 3125 Kirby Drive, Houston, Texas 77098 (hereinafter "MBI"), CARRABBA, INC., a Texas corporation having its principal office at 3125 Kirby Drive, Houston, Texas 77098 ("CI"), CARRABBA WOODWAY, INC., a Texas corporation having its principal office at 3125 Kirby Drive, Houston, Texas 77098 ("CWI"), JOHN C. CARRABBA, III, an individual residing in the state of Texas ("Johnny Carrabba"), DAMIAN C. MANDOLA, an individual residing in the state of Texas ("Damian Mandola") and JOHN C. CARRABBA, JR., an individual residing in the state of Texas ("John C. Carrabba, Jr.").

W I T N E S S E T H:

WHEREAS, MBI is the sole and exclusive owner of a unique, distinctive system for the establishment of full service restaurants known as "Carrabba's Italian Grill®" which feature a specialized menu of Italian food and full bar service; and

WHEREAS, in consideration for the covenants of CIGI and the payments to be provided for herein, MBI desires to transfer said system to CIGI.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and after good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

ARTICLE I
DEFINITIONS

For purposes of this Agreement, the following definitions shall apply:

1.1 Affiliate. The term "Affiliate" shall have the same meaning as such term has in the Securities and Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder.

1.2 Carrabba Entity(ies). The term "Carrabba Entity(ies)" shall mean each of MBI, CI, CWI, Johnny Carrabba, Damian Mandola and John Carrabba, Jr., individually and collectively, jointly and severally, and their Affiliates, heirs, administrators, representatives, successors and permitted assigns.

1.3 CI License Agreement. The term "CI License Agreement" shall mean that certain Amended and Restated Carrabba's Restaurant Licensing Agreement of even date herewith between CIGI, as Licensor, and CI, as Licensee, pursuant to which CI was granted the right to operate one Restaurant located at 3115 Kirby Drive, Houston, Texas 77098.

1.4 CWI License Agreement. The term "CWI License Agreement" shall mean that certain Amended and Restated Carrabba's Restaurant Licensing Agreement of even date herewith between CIGI, as Licensor, and CWI, as Licensee, pursuant to which CWI was granted the right to operate one Restaurant located at 1399 South Voss, Houston, Texas.

1.5 Florida License Agreement. The term "Florida License Agreement" shall mean that certain License Agreement of even date herewith between MBI as successor to the Joint Venture, as Licensor, and the Florida Partnership, as Licensee, pursuant to which the Florida Partnership was granted the exclusive right to operate an unlimited number of Restaurants in certain counties in the state of Florida.

1.6 Florida Partnership. The term "Florida Partnership" shall mean Carrabba's of West Florida, Ltd., a Florida limited partnership.

1.7 Joint Ventures. The term "Joint Ventures" shall mean collectively Carrabba/Outback Joint Venture, a Florida general partnership and Carrabba/Texas Joint Venture, a Florida general partnership.

1.8 Joint Venture License Agreements. The term "Joint Venture License Agreements" shall mean those certain Carrabba's Restaurant Licensing Agreements of even date herewith between MBI, as Licensor, and the Joint Ventures, as Licensees, pursuant to which the Joint Ventures were granted the right to operate an unlimited number of Restaurants in the state of Texas.

1.9 Net Product Sales. The term "Net Product Sales" shall mean all monetary compensation received from the sale of products and services which are not sold at or from a Restaurant, whether for cash or credit and regardless of collection in the case of credit, reduced by (i) discounts, rebates and complimentary food and beverages, (ii) returns and exchanges, (iii) sales and other taxes and surcharges collected for transmittal to taxing authorities and (iv) revenue from catering activities done for charitable, marketing or community involvement purposes.

1.10 Net Restaurant Sales. The term "Net Restaurant Sales" shall mean, with respect to any Restaurant, all monetary compensation received for the sale of all products and services at or from such Restaurant, whether for cash or credit and regardless of collection in the case of credit, including the face value of gift certificates redeemed by customers, reduced by (i) discounts and complimentary food and beverages, (ii) sales and other taxes and surcharges collected for transmittal to taxing authorities, (iii) revenue received from the sale of gift certificates and (iv) revenue from catering activities done for charitable, marketing or community involvement purposes.

1.11 Outback. The term "Outback" shall mean Outback Steakhouse, Inc., a Delaware corporation.

1.12 Outback Entities. The term "Outback Entities" shall mean each of CIGI and Outback, individually and collectively, and their Affiliates, successors and permitted assigns.

1.13 Proprietary Marks. The term "Proprietary Marks" shall mean, collectively and individually, Federal Trademark/Service Mark Reg. No. 1,795,108 for Carrabba's with design; Federal Trademark/Service Mark Reg. No. 1,804,367 for Carrabba's with Pizza Chef Design; Federal Trademark/Service Mark Reg. No. 1,843,015 for Pizza Chef Design; Federal Trademark/Service Mark Reg. No. 1,865,848 for Carrabba's Italian Grill (stylized); and all other copyrights, trademarks, trade names, service marks, logos, emblems and other indicia of origin used to identify the System; together with all goodwill associated with all of the foregoing.

1.14 Restaurant. The term "Restaurant" shall mean a restaurant utilizing the System, whether owned by CIGI, its Affiliates or by its licensees/franchisees.

1.15 System. The term "System" shall mean the Carrabba's Italian Grill® restaurant concept and system and all elements, characteristics and properties thereof, including, without limitation, recipes and menu items; motif, design, decor and furnishings; trade dress and the Propriety Marks, trade secrets, know-how and other intellectual property; uniform standards, specifications and procedures for operations, quality and uniformity of products and services offered; procedures for inventory and management control; training and assistance; employee testing programs; marketing, advertising and promotional programs; together with all goodwill associated therewith.

ARTICLE II
TRANSFER OF SYSTEM

2.1 Transfer of System. MBI hereby assigns, transfers and conveys outright and absolutely to CIGI all ownership, right, title and interest in and to the System and the Proprietary Marks and all elements, characteristics and property thereof, and all goodwill associated therewith, free and clear of any lien, claim, encumbrance or retained interest whatsoever, subject to and except only the following:

(a) CI's rights to operate one Restaurant pursuant to the CI License Agreement.

(b) CWI's rights to operate one Restaurant pursuant to the CWI License Agreement.

(c) The Florida Partnership's rights to operate Restaurants as licensees pursuant to the Florida License Agreement.

(d) The Joint Ventures' rights to operate Restaurants as a licensee pursuant to the Joint Venture License Agreements.

(e) MBI's contingent right of reversion specified in Section 8.5 hereof.

2.2 Transfer of Rights as Licensor. MBI hereby transfers, assigns and conveys to CIGI all right, title and interest of MBI as Licensor under the CI License Agreement, the CWI License Agreement, the Florida License Agreement and the Joint Venture License Agreement. CIGI hereby accepts such assignment and agrees to be bound by, and hereby assumes the obligations of Licensor under the CI License Agreement, the CWI License Agreement, the Florida License Agreement and the Joint Venture License Agreement.

2.3 Limitation. Notwithstanding the foregoing, CIGI shall not use the Proprietary Marks in connection with any product or service other than restaurant and catering services, food products, beverages, clothing and promotional items ancillary to the foregoing, except with the prior consent of MBI, which consent shall not be unreasonably withheld, delayed or conditioned. Nothing contained in this Section 2.3 shall be construed as a retention by MBI of any right to use the Proprietary Marks nor as a grant of any right to use the Proprietary Marks.

ARTICLE III
ROYALTIES

3.1 Restaurant Royalties. For each Restaurant owned by CIGI or a franchisee/licensee of CIGI (other than the Joint Venture, CI or CWI) which Restaurant first opens to the public after January 1, 1995, CIGI shall pay to MBI an annual royalty fee during the term of this Agreement as follows:

(a) For Restaurants whose annual Net Restaurant Sales are Two Million Seven Hundred Thousand Dollars ($2,700,000) or less, a royalty fee of one percent (1%) of Net Restaurant Sales;

(b) For Restaurants whose annual Net Restaurant Sales exceed Two Million Seven Hundred Thousand Dollars ($2,700,000) but are less than Three Million Dollars ($3,000,000), a royalty fee of one and one quarter percent (1¼%) of Net Restaurant Sales;

(c) For Restaurants whose annual Net Restaurant Sales exceed Three Million Dollars ($3,000,000), a royalty fee of one and one half percent (1½%) of Net Restaurant Sales.

3.2 Payment. For each Restaurant CIGI shall pay to MBI a monthly royalty fee at the rate of one percent (1%) of Net Restaurant Sales for each of the first six months of such Restaurant's operation. After the first six months of operation, such Restaurant's Net Restaurant Sales shall be annualized and the royalty fee shall be paid for the remainder of the calendar year based on annualized Net Restaurant Sales for the calendar year ending on the first December 31 after the Restaurant has completed its first six months of operation ("Initial Calendar Year"). For each calendar year after the Initial Calendar Year, such Restaurant shall pay a monthly royalty fee based on the Net Restaurant Sales of the preceding calendar year (annualized for Restaurants open less than twelve months in the previous calendar year). Within thirty (30) days of the end of each calendar year, each Restaurant's actual Net Restaurant Sales for such calendar year shall be determined and CIGI shall pay to MBI, or MBI shall refund to CIGI, as the case may be, any amounts necessary so that the actual royalty paid for such calendar year is as provided in Section 3.1. No royalty shall be paid on Net Restaurant Sales which occur after expiration or termination of this Agreement.

3.3 Product Royalties. For each calendar year during the term of this Agreement (beginning with 1995) CIGI shall pay to MBI a monthly royalty fee of one percent (1%) of Net Product Sales, payable as provided in Section 3.4. No royalty shall be paid on Net Product Sales which occur after expiration or termination of this Agreement.

3.4 Payments and Reports. All monthly payments to MBI required by this Article III shall be paid by the tenth (10th) day of each month in respect of operations during the preceding calendar month, and shall be submitted, together with any reports or statements required under Section 4.5 hereof, to MBI at the address provided in Section 10.4 hereof. Any payment or report not actually received by MBI on or before such date shall be deemed overdue. If any payment is overdue, CIGI shall pay MBI, in addition to the overdue amount, interest on such amount from the date it was due until payment is received by MBI at the rate of eighteen percent (18%) per annum, or the maximum rate permitted by law, whichever is less.

ARTICLE IV
COVENANTS OF OUTBACK ENTITIES

The Outback Entities covenant and agree with the Carrabba Entities as follows:

4.1 Development of Restaurants. CIGI shall use its best reasonable efforts to successfully promote and develop the System and to establish and operate, by itself and through licensees and franchisees, as many Restaurants as CIGI deems prudent, in its sole discretion.

4.2 Payments of Royalties. CIGI shall use its best reasonable efforts to maximize the Net Sales of each Restaurant and shall promptly pay or cause to be paid to MBI the royalties provided for in Article III.

4.3 Improvement of System. CIGI shall use its best reasonable efforts to modify and improve the System and to protect and defend the Proprietary Marks; provided, however, nothing contained herein shall be construed as obligating CIGI to initiate any legal action against any particular infringer of any Proprietary Mark. All improvements, modifications and changes to the System or any element thereof shall be the sole and exclusive property of CIGI.

4.4 Obligations as Licensor. CIGI shall fully perform all obligations of CIGI as Licensor under the CI License Agreement, the CWI License Agreement, the Florida License Agreement and the Joint Venture License Agreements, and CIGI will comply with all terms thereof and CIGI shall hold the Carrabba Entities harmless from all obligations of Licensor to licensees and franchisees and all other obligations of Licensor.

4.5 Accounting and Records.

(a) Monthly Reporting. CIGI shall maintain during the term of this Agreement, and shall preserve for at least five (5) years from the dates of their preparation, full, complete, and accurate books, records, and accounts prepared in accordance with generally accepted accounting principles and in sufficient detail to document the calculation of royalties hereunder.

(b) Monthly Reports. CIGI shall submit to MBI no later than the tenth (10th) day of each month during the term of this Agreement, a remittance report accurately reflecting all Net Restaurant Sales and Net Product Sales during the preceding calendar month and such other data or information as MBI may reasonably request. In addition, and without limiting the foregoing, CIGI shall submit a monthly and fiscal year-to-date profit and loss statement (which may be unaudited) for CIGI and the Restaurants, and shall submit copies of all state sales tax returns for CIGI and the Restaurants.

(c) Quarterly Reports. CIGI shall submit to MBI a quarterly balance sheet (which may be unaudited) within thirty (30) days after the end of each quarter of the fiscal year of the CIGI. Each such statement shall be signed by CIGI or by CIGI's treasurer or chief financial officer attesting that it is true and correct.

(d) Annual Reports. CIGI shall submit to MBI complete audited annual financial statements of CIGI prepared by an independent certified public accountant satisfactory to MBI, within ninety (90) days after the end of each fiscal year of CIGI, showing the results of operations of CIGI and the Restaurant during said fiscal year. Such statements shall include, at a minimum, a balance sheet, profit and loss statement and statement of sources and uses of funds.

(e) Additional Reports. CIGI shall submit to MBI, for review or auditing, such other forms, reports, records, information, and data as MBI may reasonably request in order to verify the calculation of royalties payable pursuant to this Agreement.

(f) Inspection Rights. MBI or its designated agents shall have the right at all reasonable times to examine and copy, at MBI's expense, the books, records, and tax returns of CIGI. MBI shall also have the right, at any time, to have an independent audit made of the books of CIGI. If an inspection should reveal that any payments have been understated in any report to MBI, then CIGI shall immediately pay to MBI the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of ten percent (10%) per annum, or the maximum rate permitted by law, whichever is less. If an inspection discloses an understatement in any report of five percent (5%) or more, CIGI shall pay interest at the rate of eighteen percent (18%) per annum or the maximum rate permitted by law, whichever is less, and in addition, shall reimburse MBI for any and all costs and expenses connected with the inspection (including, without limitation, travel, lodging and wages expenses and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies MBI may have.

(g) Expenses. All reports, forms and other information required by this Section 4.5 shall be prepared at CIGI's expense and shall be submitted to MBI at the address indicated in Section 10.4 hereof.

(h) Other Users of System. CIGI will cause all franchisees, licensees and other users of the System to maintain and provide records of the type necessary to support and document the reports to be provided hereunder.

4.6 Non-Competition. Each Outback Entity covenants to MBI that, except as otherwise approved in writing by MBI, it shall not, during the term of this Agreement, directly or indirectly, for itself or through, on behalf of, or in conjunction with any person, persons, partnership, limited liability company, corporation or any other entity, own, maintain, operate, engage in, license, franchise, be employed by or have any interest in, any Italian food restaurant utilizing any material proprietary component, element or property of the System other than Restaurants licensed to use the System and for which royalties are paid hereunder. Without limiting the generality of the foregoing, the parties further agree that for any such Italian food restaurant utilizing one or more material proprietary components, elements or properties of the System, CIGI shall remain obligated to pay royalties on sales of such restaurant to the same extent as if such restaurant were a licensee or a franchisee of CIGI and utilizing the System.

4.7 Right of First Refusal.

(a) Restriction. The Outback Entities hereby covenant and agree that no Outback Entity shall, directly or indirectly, in any manner whatsoever, transfer or offer to transfer the System (hereinafter referred to as a "Transfer"), except in accordance with the provisions of this Section 4.7. Any purported Transfer, no matter how effected, which does not comply with the terms, conditions and procedures of this Section 4.7 shall be null and void and shall transfer no interest in the System. This Section 4.7 shall not apply to the grant in the ordinary course of business of licenses and franchises to use the System.

(b) Termination of Restrictions. Notwithstanding any contrary provision hereof, the restrictions on Transfer and rights of first refusal contained in this Section 4.7 shall terminate and thereafter be forever null and void if at any time on or before January 1, 2000 there are fifty (50) or more Restaurants open for business.

(c) Right of First Refusal. In the event any Outback Entity ("Transferor") desires to Transfer the System (and any Restaurants owned by CIGI or its Affiliates) or a majority of the vote or value of the capital stock of CIGI, to any person or entity, the Transferor shall, prior to any such Transfer, give MBI written notice of such desire ("Notice of Transfer"), which notice shall specify the property to be transferred ("Property"), the identity of the proposed transferee, and the purchase price, including payment terms and the treatment of liabilities related to the Property ("Purchase Price"). Any purported Notice of Transfer that does not comply with the requirements of this subsection (c) shall be null and void and of no effect hereunder. Upon receipt of a proper Notice of Transfer, MBI shall thereupon have the right to acquire all, but not less than all, of the Property specified in the Notice of Transfer on terms identical to the Purchase Price. In the event the Purchase Price contains terms which MBI cannot reasonably duplicate, MBI shall have the right to substitute the reasonable cash equivalent thereof.

MBI shall exercise the right of first refusal contained herein by giving written notice thereof ("Notice of Election") to the Transferor within thirty-five (35) days of the date of the Notice of Transfer. In the event MBI fails to give a Notice of Election to the Transferor within the thirty-five (35) day period, the purchase option contained herein shall lapse, and, if so requested by the Transferor, MBI shall give an affirmative written statement of non-exercise of the right of first refusal within five (5) days of request by the Transferor.

The closing for any purchase hereunder shall be consummated and closed in CIGI's principal office on a date and at a time designated by MBI in a notice to the Transferor, provided such consummation and closing date shall occur within ninety (90) days from the date of the Notice of Election. At such closing the Transferor shall execute and deliver all documents and instruments as are necessary and appropriate, in the opinion of counsel for MBI, to effectuate the transfer of the Property to MBI in accordance with the terms of the Notice of Transfer, and MBI shall deliver the Purchase Price.

(d) Limitation. The right of first refusal contained in subsection (c) shall not apply to transfers to Outback or any Affiliate of Outback.

(e) Transfer Permitted After Failure to Elect. In the event MBI does not elect pursuant to subsection (c) to exercise the purchase option specified therein, or in the event the closing for any purchase pursuant to subsection (c) does not occur within the time limits specified therein, then the Transferor shall be free to transfer the Property as was specified in the Notice of Transfer to the person or entity identified in the Notice of Transfer in exchange for the exact Purchase Price as was specified in the Notice of Transfer; provided, however, that the closing and consummation of such transfer shall occur on or before the earlier of (i) sixty (60) days from the date of the Notice of Transfer if no Notice of Election was given; or (ii) one hundred twenty (120) days from the date of the Notice of Election; and provided further that such transfer must comply with all other requirements of this Section 4.7. In the event such transfer is not so closed and consummated within such period, the purchase option granted to MBI in subsection (c) shall again be exercisable and the Transferor shall make no Transfer of the Property, or any right, title or interest therein, until he has again complied with all terms and provisions of this Section 4.7. In the event MBI does not elect pursuant to Section 4.7 to exercise the purchase option contained therein and the Transferor makes a permitted Transfer in compliance with the terms and provisions of this Section 4.7, then the person or entity to whom such Property is transferred shall, as a condition to such transfer, agree in writing to be bound by all terms and provisions of this Agreement.

(f) Effect of Transfer. Notwithstanding any Transfer of the System or any portion thereof, unless MBI (or any Permitted Successor entitled to royalties hereunder at the time of such transfer) otherwise agrees in writing, no Transfer shall relieve Outback, CIGI or any other transferring person or entity from any liability to pay royalties hereunder, which liabilities and obligations shall be joint and several as to such parties; and, unless otherwise so agreed by MBI or its Permitted Successor, all transferees of the System shall be and remain jointly and severally liable for the payment of such royalties and the performance of such liabilities and obligations hereunder.

ARTICLE V
COVENANTS OF CARRABBA ENTITIES

5.1 Non-Disclosure; Non-Solicitation. Except as required by law or as necessary to protect its interests in legal proceedings involving the parties to this Agreement or thired parties, at no time during the term of this Agreement, or at any time thereafter, shall any Carrabba Entity, individually or jointly with others, for the benefit of any Carrabba Entity or any third party, publish, disclose, use, or authorize anyone else to publish, disclose, or use, any secret or confidential material or information relating to any aspect of the business or operations of CIGI, the System or the Restaurants, including, without limitation, any secret or confidential information relating to the business, customers, trade or industrial practices, trade secrets, technology, recipes or know-how of CIGI, its Affiliates or the System. Moreover, during the term of this Agreement and for a period of two (2) years thereafter, no Carrabba Entity shall offer employment to any then-current employee of any of CIGI, its Affiliates or licensees (other than a Carrabba Entity), or otherwise solicit or induce any employee of any of CIGI, its Affiliates or licensees to terminate their employment, nor shall any Carrabba Entity act as an officer, director, employee, partner, independent contractor, consultant, principal, agent, proprietor, owner or part owner, or in any other capacity, for any person or entity which solicits or otherwise induces any employee of any of CIGI, its Affiliates or licensees (other than a Carrabba Entity) to terminate their employment.

5.2 Competition. Each Carrabba Entity covenants to CIGI that, except for the Restaurants owned by the Joint Ventures, CI and CWI, and except as otherwise approved in writing by CIGI, each Carrabba Entity shall not, during the term of this Agreement and for a continuous uninterrupted period commencing upon the expiration or termination of this Agreement, and continuing for two (2) years thereafter, directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any person, persons, partnership or corporation, own, maintain, operate, engage in, be employed by, or have any interest in, or lend any assistance to, any business which owns or operates one or more full service Italian food restaurants and which is, or is intended to be, located within thirty (30) miles of an existing or proposed Restaurant utilizing the System, whether owned by CIGI, its Affiliates or a licensee/franchisee of CIGI; provided, however, that during the term of this Agreement the foregoing geographic limitation shall not apply and, except for the Restaurants owned by the Joint Venture, CI and CWI, each Carrabba Entity shall be prohibited from such ownership and/or activity regardless of whether such other business is within or without of the thirty-mile radius; and provided further, that this Section 5.2 shall not apply to any Permitted Transferee who by the terms of Section 6.4(c) is entitled to own or operate not more than five restaurants. The term "proposed Restaurant" shall mean all locations for which CIGI (or its successor in interest as owner or the System), any Affiliate of CIGI, or any franchisee is conducting active, bona fide negotiations to secure a fee or leasehold interest with the intention of establishing thereon a restaurant utilizing the System.

This section shall not apply to ownership by a Carrabba Entity of less than one percent (1%) beneficial interest in the outstanding equity securities of any corporation required to file periodic reports under the Securities Exchange Act of 1934, as amended.

5.3 Independent Covenants. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Article V is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which CIGI is a party, each Carrabba Entity expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Article V.

5.4 Modification. Each Carrabba Entity understands and acknowledges that CIGI shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 5.1 and 5.2 of this Agreement, or any portion thereof, effective immediately upon receipt of written notice thereof; and each Carrabba Entity agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable against such Carrabba Entity.

5.5 Claims Not a Defense. Each Carrabba Entity expressly agrees that the existence of any claims they may have against any Outback Entity, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by CIGI of the covenants in this Article V. Each Carrabba Entity agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by CIGI in connection with any legal proceedings brought by CIGI to construe, interpret or enforce this Article V.

5.6 Reasonableness of Restrictions; Reformation; Enforcement. Each Carrabba Entity recognizes and acknowledges that the geographical and time limitations contained in this Article V are reasonable and properly required for the adequate protection of CIGI and the System. It is agreed by each Carrabba Entity that if any portion of the restrictions contained in this Article V be unreasonable, arbitrary or against public policy, then the restrictions shall be considered divisible, both as to the time and to the geographical area, with each month of the specified period being deemed a separate period of time and each radius mile of the restricted territory being deemed a separate geographical area, so that the lesser period of time or geographical area shall remain effective so long as the same is not unreasonable, arbitrary or against public policy. The parties hereto agree that in the event any court of competent jurisdiction determines the specified period or the specified geographical area of the restricted territory to be unreasonable, arbitrary, or against public policy, a lesser time period or geographical area which is determined to be reasonable, nonarbitrary, and not against public policy may be enforced against each Carrabba Entity. If any Carrabba Entity shall violate any of the covenants contained herein and if any court action is instituted by CIGI to prevent or enjoin such violation, then the period of time during which the covenants of this Article V shall apply, as provided in this Agreement, shall be lengthened by a period of time equal to the period between the date of the breach of the terms or covenants contained in this Agreement and the date on which the decree of the court disposing of the issues upon the merits shall become final and not subject to further appeal.

5.7 Specific Performance. Each Carrabba Entity agrees that a breach of any of the covenants contained in this Article V will cause irreparable injury to CIGI for which the remedy at law will be inadequate and would be difficult to ascertain and therefore, in the event of the breach or threatened breach of any such covenants, CIGI shall be entitled, in addition to any other rights and remedies it may have at law or in equity, to obtain an injunction to restrain such Carrabba Entity from any threatened or actual activities in violation of any such covenants. Each Carrabba Entity hereby consents and agrees that temporary and permanent injunctive relief may be granted in any proceedings which might be brought to enforce any such covenants without the necessity of proof of actual damages, and in the event CIGI does apply for such an injunction, the Carrabba Entities shall not raise as a defense thereto that CIGI has an adequate remedy at law.

5.8 Personnel. Each of CI, CWI and MBI shall require and obtain execution of covenants similar to those set forth in this Article V (including covenants applicable during the term of a person's relationship with them and for two years after termination of such relationship) from any or all of the following persons: (a) all managers, kitchen managers and assistant kitchen managers of MBI, CI or CWI; (b) all officers, directors and holders of a beneficial interest of one percent (1%) or more of the securities of MBI, CI or CWI. Every covenant required by this Section 5.8 shall be in a form reasonably satisfactory to CIGI, including, without limitation, specific identification of CIGI as a third-party beneficiary of such covenants with the independent right to enforce them. Failure by MBI, CI or CWI to obtain execution of a covenant required by this Section 5.8 shall constitute a default under this Agreement. Nothing contained in this Section 5.8 shall be construed as a guarantee by MBI of the enforceability of such covenants of such personnel.

5.9 Ownership of Improvements. Each Carrabba Entity acknowledges and agrees that any and all improvements, modifications or additions to the System developed by any Carrabba Entity (or their employees) shall constitute part of the System and shall be the sole and exclusive property of CIGI.

ARTICLE VI
RESTRICTIONS ON TRANSFER

6.1 Restriction Against Transfer. The Carrabba Entities hereby covenant and agree that no Carrabba Entity shall, directly or indirectly, in any manner whatsoever, transfer or encumber, or offer to transfer or encumber (hereinafter referred to as "Transfer") any of its interest in the royalties provided for in Article III hereof, or any right, title or interest therein, whether now owned or hereafter acquired ("Royalty Interest"), except in accordance with the provisions of this Article VI.

Any purported Transfer, no matter how effected, which does not comply with the terms, conditions and procedures of this Agreement shall be null and void and shall transfer no interest in the Royalty Interest, but such non-complying purported Transfer shall not relieve CIGI of any of its obligations under this Agreement.

For purposes of this Agreement, a Transfer of a Royalty Interest shall include any issuance, disposition or encumbrance, of any shares of any class of capital stock of MBI or other ownership or voting interest in MBI, and all provisions of this Article VI shall apply to any such disposition or encumbrance.

6.2 Transferees Bound. Any permitted transferee or assignee to whom a Royalty Interest (or capital stock or other ownership or voting interest in MBI or any successor to MBI) may be transferred under the terms of this Agreement who is not at the time of such transfer a party to this Agreement shall take such Royalty Interest subject to all of the terms and conditions of this Agreement and shall not be considered to have title to such Royalty Interest until the transferee or assignee shall have accepted and assumed the terms and conditions of this Agreement by a written agreement to that effect.

6.3 Transfers Subject to Rights of First Refusal. In the event MBI, or any shareholder of MBI, ("Transferor") desires to Transfer all or any part of its Royalty Interest or (i) in the case of MBI, issue additional shares of capital stock, or (ii) in the case of a shareholder

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of MBI, Transfer capital stock or other ownership or voting interest in MBI] to any person or entity, the Transferor shall, prior to any such Transfer, give CIGI written notice of such desire ("Notice of Transfer"), which notice shall specify the Royalty Interest (or capital stock in MBI) to be transferred or issued, the identity of the proposed transferee, the purchase price for the Royalty Interest (or capital stock of MBI, as the case may be), and the terms for payment of the purchase price, ("Purchase Price"). Any purported Notice of Transfer that does not comply with the requirements of this Section shall be null and void and of no effect hereunder. Upon receipt of a proper Notice of Transfer, CIGI shall thereupon have the right to acquire the Transferor's entire Royalty Interest (or entire capital stock in MBI, as the case may be), or such portion thereof as is specified in the Notice of Transfer, on terms identical to the Purchase Price or proportionately identical if CIGI elects to purchase the entire Royalty Interest (or entire capital stock, as the case may be) of the Transferor. In the event the Purchase Price contains terms which CIGI cannot reasonably duplicate, CIGI shall have the right to substitute the reasonable cash equivalent thereof.

CIGI shall exercise the right of first refusal contained herein by giving written notice thereof ("Notice of Election") to the Transferor within thirty-five (35) days of the date of the Notice of Transfer. The Notice of Election shall specify whether CIGI elects to purchase the entire Royalty Interest (or entire capital stock, as the case may be) of the Transferor, or, if less, the portion thereof specified in the Notice of Transfer. In the event CIGI fails to give a Notice of Election to the Transferor within the thirty-five (35) day period, the purchase option contained herein shall lapse, and, if so requested by the Transferor, CIGI shall give an affirmative written statement of non-exercise of the right of first refusal within five (5) days of request by the Transferor.

The closing for any purchase hereunder shall be consummated and closed in CIGI's principal office on a date and at a time designated by CIGI in a notice to the Transferor, provided such consummation and closing date shall occur within ninety (90) days from the date of the Notice of Election. At such closing the Transferor shall execute and deliver all documents and instruments as are necessary and appropriate, in the opinion of counsel for CIGI, to effectuate the transfer of the Transferor's Royalty Interest (or capital stock of MBI, as the case may be) to CIGI in accordance with the terms of the Notice of Transfer and CIGI shall deliver the Purchase Price.

6.4 Limitation. Notwithstanding any other provision of this Agreement, shares of stock of MBI or interests in royalty payments hereunder may be transferred or assigned under the following circumstances, without giving rise to any right of first refusal under Section 6.3:

(a) MBI may transfer or assign its interest in royalty payments hereunder, or any portion thereof, to any organization, association or other entity (a "Successor"), so long as the capital stock of or other equity interests in such Successor are held only by or for the account of any one or more of the Carrabba Entities, or any other person or entity that would be permitted to own stock of or equity interests in MBI or a Permitted Successor pursuant to clauses (b) and (c) below, or any combination of the foregoing persons (all such Successors referred to collectively as "Permitted Successors"), provided that in each case the transferee of such interest shall be subject to the same restrictions on further transfer as are contained in this Article VI including exceptions from such restrictions pursuant to this Section 6.4), and provided, further, that for a period of five (5) years from the date of this Agreement following each such transfer, Johnny Carrabba or Damian Mandola, if both are then alive, shall have the exclusive right to vote a number of shares of stock of MBI and any Permitted Successor sufficient to elect their entire Board of Directors and to exclusively determine all matters submitted to shareholder vote;

(b) In addition to transfers permitted by sections (a) or (c), shares of stock of, or other equity interests in, MBI or any Permitted Successor or any interest therein may be transferred to the spouse, children, grandchildren, nephews and nieces of Johnny Carrabba, Damian Mandola or John Carrabba, Jr., or to any trust for the benefit of one or more such persons (the foregoing collectively referred to as "Permitted Transferees"), provided that in each case the transferee of such shares or equity interests shall be subject to the same restrictions on further transfer as are contained in this Article VI; (including exceptions from such restrictions pursuant to this Section 6.4), and provided, further, that for a period of five (5) years from the date of this Agreement following each such transfer, Johnny Carrabba and Damian Mandola, if both are then alive, shall have the exclusive right to vote a number of shares of stock of MBI and any Permitted Successor sufficient to elect their entire Board of Directors and to exclusively determine all matters submitted to shareholder vote; and

(c) Shares of stock of, or other equity interest in, MBI or any Permitted Successor or any interest therein may be transferred to any person if, and only if (i) the transfer is a bona fide gift by the transferor for which no monetary or property consideration or other thing of value whatsoever is received, or a testamentary transfer or transfer by intestate succession or other transfer upon the transferor's death, and (ii) the donee is not in any manner, directly or indirectly, through ownership in other entities or otherwise, engaged in the operation or ownership of restaurants; provided, however, that if the donee is a family member of Johnny Carrabba, Damian Mandola or John Carrabba, Jr. such donee may be involved in the ownership or operation of not more than five (5) restaurants; provided, however, in the case of bona fide, recognized charitable organizations, ownership of stock in publicly traded corporations shall be allowed and in the case of all other donees, ownership of less than one percent (1%) of the outstanding shares of any class of securities of a publicly traded corporation shall be allowed (the foregoing also collectively referred to as "Permitted Transferees"). The parties further agree that any donee permitted to own or operate not more than five restaurants hereunder shall continue to be permitted to do so, notwithstanding any term or provision to the contrary in any other agreement between or among any of the Outback Entities and any of the Carrabba entities.

6.5 Transfer Permitted After Failure to Elect. In the event CIGI does not elect pursuant to Section 6.3 to exercise the purchase option specified therein, or in the event the closing for any purchase pursuant to Section 6.3 does not occur within the time limits specified therein, then the Transferor shall be free to transfer the exact portion of its Royalty Interest (or capital stock of MBI, as the case may be) as was specified in the Notice of Transfer to the person or entity identified in the Notice of Transfer in exchange for the exact Purchase Price as was specified in the Notice of Transfer; provided, however, that the closing and consummation of such transfer shall occur on or before the earlier of (i) sixty (60) days from the date of the Notice of Transfer if no Notice of Election was given; or (ii) one hundred twenty (120) days from the date of the Notice of Election; and provided further that such transfer must comply with all other requirements of this Article VI. In the event such transfer is not so closed and consummated within such period, the purchase option granted to CIGI in Section 6.3 shall again be exercisable and the Transferor shall make no Transfer of any portion of its Royalty Interest (or capital stock in MBI), or any right, title or interest therein, until he has again complied with all terms and provisions of this Article. In the event CIGI does not elect pursuant to Section 6.3 to exercise the purchase option contained therein and the Transferor makes a permitted Transfer in compliance with the terms and provisions of this Article, then the person or entity to whom such Royalty Interest (or capital stock of MBI) is transferred shall nevertheless acquire such Royalty Interest (or capital stock) subject to the restrictions imposed on such Royalty Interest (or capital stock) under this Article VI as to further transfers of such Royalty Interest (or capital stock), and provided further that as a condition to such transfer any such transferee shall agree in writing to be bound by all terms and provisions of this Agreement.

6.6 Purchase Option on Bankruptcy of John C. Carrabba, III Damian C. Mandola and John C. Carrabba, Jr.

(a) For purposes of this Agreement, the term "Bankrupt" or "Bankruptcy" means, with respect to any person, a situation in which (i) such person shall file a voluntary petition in bankruptcy or shall be adjudicated as bankrupt or insolvent, or shall file any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under the present or future applicable Federal, state or other statute or law relating to bankruptcy, insolvency, or other relief for debtors, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver, conservator or liquidator of such person or of all or any substantial part of its properties or its rights under this Agreement (the term "acquiesce", as used in this definition, includes the failure to file a petition or motion to vacate or discharge any order, judgment or decree within twenty (20) days after entry of such order, judgment or decree); (ii) a court of competent jurisdiction shall enter an order, judgment or decree approving a petition filed against such person seeking a reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future Federal Bankruptcy Act, or any other present or future applicable Federal, state or other statute or law relating to bankruptcy, insolvency, or other relief for debtors, and such person shall acquiesce in the entry of such order, judgment or decree or such order, judgment or decree shall remain unvacated and unstayed for an aggregate of thirty (30) days (whether or not consecutive) from the date of entry thereof, or any trustee, receiver, conservator or liquidator of such person or of all or any substantial part of its property or its rights under this Agreement shall be appointed without the consent or acquiescence of such person and such appointment shall remain unvacated and unstayed for an aggregate of thirty (30) days (whether or not consecutive); (iii) such person shall admit in writing its inability to pay its debts as they mature; (iv) such person shall give notice to any governmental body of insolvency or pending insolvency, or suspension or pending suspension of operations; or (v) such person shall make an assignment for the benefit of creditors or take any other similar action for the protection or benefit of creditors.

(b) Options.

(i) Upon the Bankruptcy of John C. Carrabba, III ("Johnny Carrabba"), Damian C. Mandola ("Damian Mandola"), or John C. Carrabba, Jr. ("John Carrabba, Jr.") CIGI shall have an option to purchase all of the shares of capital stock of MBI (and any Successor) the bankrupt at his Bankruptcy (the "Bankrupt"), and if such option is exercised, the Bankrupt's estate (or legal representative, as the case may be), shall be obligated to sell to CIGI all of the shares of capital stock of MBI (and any Successor) owned by the Bankrupt (the "Shares").

(ii) In the event the Bankruptcy of both Johnny Carrabba and Damian Mandola occurs within one hundred twenty (120) days of each other, CIGI shall have an option to purchase the entire Royalty Interest owned by MBI, and if such option is exercised, the Bankrupts' estate (or legal representative, as the case may be), shall be obligated to cause MBI to sell to CIGI all of the Royalty Interest owned by MBI.

(c) Limitation. Notwithstanding any contrary provision of this Section 6.6, the purchase options granted to CIGI pursuant to this Section 6.6 shall not apply if, and to the extent, upon the death or Bankruptcy of Johnny Carrabba, Damian Mandola or John Carrabba, Jr., such Bankrupt person's Shares are devised or transferred to one or more persons, all of whom are Permitted Transferees as defined in Sections 6.4(b) and 6.4(c). If either of Johnny Carrabba or Damian Mandola shall become Bankrupt, then within the 120-day period described in Section 6.6(d), the one of Johnny Carrabba or Damian Mandola who is not bankrupt (or if such person is deceased the largest single transferee of his interest) shall have the right to purchase the shares of MBI owned by the Bankrupt and upon such purchase, CIGI shall not have any option to purchase such shares from the Bankrupt or his estate.

(d) Exercise. The purchase options granted in this Section 6.6 are exercisable at any time within one hundred twenty (120) days from the date of qualification of the executor, administrator, trustee, personal representative or other legal representative ("Representative") of the Bankrupt's estate (the "Exercise Period"), and if not exercised within such time period shall lapse. CIGI shall exercise the options by written notice to the Representative of its election to exercise.

(e) Purchase Price. The purchase price to be paid for the Bankrupt's Shares or MBI's Royalty Interest, as the case may be, shall be the Value thereof, determined as provided in Section 6.7 hereof. The purchase price to be paid by CIGI for the Royalty Interest or Shares purchased pursuant to this Section 6.6 shall be paid in cash or immediately available funds at Closing.

(f) Documentation. At the Closing of any purchase pursuant to this Section 6.6, the Representative or MBI, as the case may be, shall execute and deliver to CIGI such documents, affidavits and instruments of conveyance and warranty as are reasonably necessary, in the opinion of counsel for CIGI, to transfer, convey and validly vest in CIGI good, marketable and absolute title to the Royalty Interest or Shares being purchased, free and clear of any lien, claim, pledge, security interest, or other encumbrance of any kind or character whatsoever.

(g) Closing. The Closing for any purchase pursuant to this Section 6.6 shall be held at the principal office of CIGI at a date and time mutually acceptable to CIGI and the Representative, provided that if they are unable to agree on a mutually acceptable date, the Closing shall be held sixty (60) days following final determination of Value pursuant to Section 6.7.

6.7 Value. For purposes of this Article VI only, the term "Value" shall mean the fair market value (i.e., the value at which a willing purchaser and a willing seller would, under normal circumstances, purchase and sell, both cognizant of all relevant factors, and neither being under a compulsion to buy or sell) of the Property in question, as of the date of the notice exercising any right to purchase or sell under this Agreement, determined in the following manner:

(a) Agreement. In the event a determination of Value is required, such determination shall be made by agreement in writing of MBI or the Representative of a Bankrupt, as the case may be, (the "Seller"), on the one hand, and by CIGI (the "Purchaser"), on the other hand.

(b) Procedure. If the persons specified in paragraph (a) of this Section 6.7 fail to agree in writing upon the Value of the property in question within thirty (30) days of the date of any notice given exercising any right to purchase (the "Agreement Period"), then the Value of such property shall be determined as follows, which determination shall be final, binding, and conclusive upon all persons affected by such determination:

(i) The Seller and the Purchaser shall agree upon a mutually acceptable appraiser within ten (10) days following the end of the Agreement Period, or, in the event such persons fail to so agree, two (2) appraisers shall be appointed within fifteen (15) days following the end of the Agreement Period, one by the Seller, and a second by the Purchaser. If the Seller, on the one hand, or the Purchaser, on the other hand, fail to appoint an appraiser within the fifteen (15) day time period specified herein, the sole appraiser appointed within such fifteen (15) day time period shall be the sole appraiser of the Value of the property in question. Each of the Seller and the Purchaser shall promptly provide notice of the name of the appraiser so appointed by such parties, respectively, to the other. A third appraiser, if the initial two appraisers are appointed, shall be appointed by the mutual agreement of the first two appraisers so appointed, or, if such first two appraisers fail to agree upon a third appraiser within twenty (20) days following the end of the Agreement Period, either the Seller or the Purchaser may demand that appointment of an appraiser be made by the then Director of the Regional Office of the American Arbitration Association located nearest to Tampa, Florida, in which event the appraiser appointed thereby shall be the third appraiser. Each of the three appraisers shall submit to each of the Seller and the Purchaser, within thirty (30) days after all appraisers have been appointed (the "Appraisal Period"), a written appraisal of the Value of the property in question.

(ii) In connection with any appraisal conducted pursuant to this Agreement, the parties hereto agree that any appraiser appointed hereunder shall be given full access during normal business hours to all books, records and files of the parties relevant to a valuation of the property in question.

(iii) If three appraisers are appointed, the Value of the property in question shall be equal to the numerical average of the three appraised determinations; provided, however, that if the difference between any two appraisals is not more than ten percent (10%) of the lower of the two, and the third appraisal differs by more than ten percent (10%) of the lower of the other two appraisals, the numerical average of such two appraisals shall be determinative.

(c) Qualifications. Any appraiser, to be qualified to conduct an appraisal hereunder, shall be an independent appraiser (i.e., not affiliated with the Seller or the Purchaser), who shall be reasonably competent as an expert to appraise the value of the property in question. If any appraiser initially appointed under this Agreement shall, for any reason, be unable to serve, a successor appraiser shall be promptly appointed in accordance with the procedures pursuant to which the predecessor appraiser was appointed.

(d) Time. Notwithstanding the foregoing, if the determination of the Value of the property in question by appraisal is not completed and all appraisal reports delivered as provided for herein within the Appraisal Period, then all closing, payment, and similar dates subsequent thereto shall be automatically extended one (1) day for each day delivery of the appraisal reports is delayed beyond the end of the Appraisal Period.

(e) Costs. The costs of the appraiser appointed by the Seller shall be borne by the Seller. The costs of the appraiser appointed by the Purchaser shall be borne by the Purchaser. The costs of the third appraiser, if any, or the sole appraiser, in the event the Seller and Purchaser mutually agree upon a single appraiser, shall be borne equally by the Seller and the Purchaser.

ARTICLE VII
REPRESENTATIONS AND WARRANTIES

7.1 Representations and Warranties. The Carrabba Entities represent and warrant to CIGI as follows:

(a) Organization and Standing. MBI is a corporation duly organized and validly existing under the laws of the state of Texas with its principal place of business at the address previously set forth in this Agreement and has the power and authority to carry on its businesses as presently conducted.

(b) Power and Authority. MBI has all necessary power and authority, corporate and otherwise, to (i) conduct its businesses as presently conducted, (ii) execute and deliver this Agreement and all other agreements required to be executed and delivered pursuant to this Agreement, and (iii) consummate the transactions provided for herein and therein.

(c) Due Authorization. The execution and delivery of this Agreement and the consummation of the transactions contemplated herein have been duly authorized by all necessary corporate action on the part of MBI, and this Agreement constitutes the valid and legally binding agreement of MBI enforceable in accordance with the terms hereof.

(d) Conflicts; Defaults. Neither the execution and delivery of this Agreement by MBI, nor the performance of its obligations hereunder, will violate, conflict with or constitute a default under, or result in the acceleration of any obligation under the Articles of Incorporation or Bylaws of MBI, nor any indenture, mortgage, agreement, contract, lien, instrument, permit, deed, lease, order, judgment, decree or other restriction or agreement to which MBI's assets are bound, and will not constitute an event which, after notice or lapse of time or both, will result in such violation, conflict, default or acceleration. The execution and delivery of this Agreement by MBI, and the performance by it of the transactions contemplated hereby, will not, except as specifically authorized herein, result in the creation or imposition of any liens or other rights, whether legal or equitable, in any third person or entity upon or against any of MBI's assets or against MBI, and will not violate any law, judgment, decree, order, rule or regulation (collectively "Law") of any governmental authority applicable to MBI or its assets.

(e) Legal Proceedings. Except for personal injury claims resulting from the operation of the Restaurants in the ordinary course of business, there is no litigation, action, suit, investigation, claim or proceeding (collectively "Litigation") pending or, to their best knowledge, threatened against MBI or affecting MBI's assets or the System. To the best knowledge of MBI, no condition, event, fact or circumstance exists which could give rise to such Litigation.

(f) Consents. With respect to the transaction contemplated by this Agreement, no consent, waiver, approval or authorization of or declaration or filing with, any governmental agency or authority or other public persons or entities is required in connection with execution or delivery by MBI of this Agreement or the consummation by MBI of the transactions contemplated hereby, the failure of which to be obtained would have a material adverse effect on the ability of MBI to consummate the transactions contemplated hereby.

(g) Ownership of MBI. Johnny Carrabba and Damian Mandola are the sole shareholders and sole directors of MBI. Johnny Carrabba and Damian Mandola each own

500 shares of Class A voting common stock in each of CI and CWI. The only other shareholder of the Carrabba Entities is John Carrabba, Jr., who owns One Hundred Eleven (111) shares of Class B Non-Voting common stock in each of CI and CWI.

(h) Ownership of the System. As of the date hereof, MBI is the sole owner of the System and all elements, characteristics and property thereof, and all goodwill associated therewith. Except for rights specifically granted pursuant to this Agreement, the CI License Agreement, the CWI License Agreements, the Florida License Agreement and the Joint Venture License Agreement, none of the Carrabba Entities or the Principals have any right, title, interest or claim in or to the System or any element, characteristic or property thereof, nor any goodwill associated therewith. Upon execution and delivery hereof, CIGI shall be the sole owner of the System and Proprietary Marks and all elements, characteristics and properties thereof, and all goodwill associated therewith, and no other person or entity shall have any right or claim thereto except pursuant to and as provided in the CI License Agreement, the CWI License Agreement, the Florida License Agreement and the Joint Venture License Agreements.

(i) Miscellaneous. No representation or warranty by the Carrabba Entities under this Agreement and no statement made by the Carrabba Entities in any closing document delivered pursuant to this Agreement contains or will contain any untrue statement of a material adverse fact or omits or will omit to state a material adverse fact necessary to make any such representation or warranty or statement not misleading.

7.2 Representations and Warranties. Each Outback Entity represents and warrants to the Carrabba Entities and the Principals as follows:

(a) Organization and Standing. CIGI is a corporation duly organized and existing in good standing under the laws of the State of Florida; Outback is a corporation duly organized and existing in good standing under the laws of the State of Delaware; and each has all necessary power to own its property and to carry on its business as presently conducted.

(b) Power and Authority. CIGI and Outback have all necessary power and authority, corporate and otherwise, to (i) conduct their businesses as presently conducted, (ii) execute and deliver this Agreement and all other agreements required to be executed and delivered pursuant to this Agreement, and (iii) consummate the transactions provided for herein and therein.

(c) Due Authorization. The execution and delivery of this Agreement, and the consummation of the transactions provided for herein, have been duly authorized by all necessary corporate action on the part of the Outback Entities and Outback. This Agreement constitutes the legally binding agreement of the Outback Entities and Outback, enforceable in accordance with its terms.

(d) Conflicts; Defaults. Neither the execution and delivery of this Agreement nor the consummation of any transaction herein contemplated is an event which of itself, or with the giving of notice or the passage of time, or both, would constitute a violation of, conflict with or result in a breach of, or constitute a default under the Articles of Incorporation or Bylaws of the Outback Entities or any of the terms, conditions or provisions of any indenture, mortgage, lien, lease, agreement, contract, instrument, order, judgment, decree, or other restriction or agreement or instrument to which the Outback Entities or any subsidiary or affiliate of the Outback Entities is now a party or by which it is bound, or result in the creation or imposition of any lien, charge or encumbrance of any kind upon the property or assets of the Outback Entities or any subsidiary or affiliate of the Outback Entities pursuant to the terms of any such agreement or instrument.

(e) Consents. With respect to the transactions contemplated by this Agreement, no consent, waiver, approval, license or authorization of, or declaration or filing with, any governmental agency or authority or other public persons or entities is required in connection with execution or delivery by the Outback Entities of this Agreement or the consummation by the Outback Entities of the transactions contemplated hereby, the failure of which to be obtained would have a material adverse effect on the ability of the Outback Entities to consummate the transactions contemplated hereby.

(f) Miscellaneous. No representation or warranty by the Outback Entities under this Agreement and no statement made by the Outback Entities in any closing document delivered pursuant to this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make any such representation or warranty or statement not misleading.

ARTICLE VIII
SURVIVAL, INDEMNIFICATION AND REMEDIES

8.1 Survival of Representations and Warranties. All representations, warranties and covenants made or given by the parties in this Agreement shall survive the consummation of all transactions contemplated herein, and shall continue in force throughout the term of this Agreement.

8.2 Indemnification by the Carrabba Entities. Each of the Carrabba Entities shall be obligated, jointly and severally, to indemnify the Outback Entities against, hold the Outback Entities harmless from, and reimburse the Outback Entities for, any and all claims, loss, damages, costs and expenses, including, without limitation, reasonable attorneys' fees, court costs (whether at trial or appeal, in arbitration, or otherwise) and the costs and expenses of investigation (collectively, "Liability" or "Liabilities," as appropriate), incurred by the Outback Entities and which arise out of or in connection with: (i) any breach by any of the Carrabba Entities of any representation or warranty made by the Carrabba Entities and contained in this Agreement.; or (ii) any failure by the Carrabba Entities to perform any covenant or agreement of the Carrabba Entities contained in this Agreement.

8.3 Indemnification by the Outback Entities. The Outback Entities shall indemnify the Carrabba Entities against, hold the Carrabba Entities harmless from, and reimburse the Carrabba Entities for, any and all Liabilities, as defined in Section 8.2 hereof, incurred by the Carrabba Entities and which arise out of or in connection with: (i) any breach by the Outback Entities of any representation or warranty of the Outback Entities contained in this Agreement; or (ii) any failure by the Outback Entities to perform any covenant or agreement of the Outback Entities contained in this Agreement.

8.4 Indemnification Procedures. In case any claim or proceeding (including, without limitation, any claim, investigation or proceeding by any governmental authority) shall be instituted affecting any indemnified person in respect of which indemnity will be sought pursuant to Section 8.2 or Section 8.3 hereof, such indemnified person shall promptly (considering the circumstances) notify the indemnifying person in writing, and the indemnifying person, within thirty (30) days following such notification from the indemnified person, shall retain counsel reasonably satisfactory to the indemnified person (which satisfaction shall not be unreasonably delayed, withheld or conditioned) to represent the indemnified person and any others the indemnifying person may designate in such proceeding, and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified person shall have the right to retain its own counsel, but the fees and disbursements of such counsel shall be at the expense of such indemnified person unless: (i) the indemnifying person shall have failed to retain counsel for the indemnified person as required herein; or, (ii) counsel retained by the indemnifying person for the indemnified person would be inappropriate due to actual or potential differing interests between such indemnified person and any other person represented by such counsel in such proceeding. It is understood that the indemnifying person shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and disbursements of more than one separate firm qualified in such jurisdiction to act as counsel for the indemnified person. The indemnifying person shall not be liable for any settlement of any proceeding effected without its written consent, but, if settled with such consent, or upon a final judgment for the plaintiff, the indemnifying person shall, to the extent required pursuant to the terms of this Article VII, indemnify the indemnified person from and against any and all Liabilities by reason of such settlement or judgment. The indemnified person shall also have the right to consent in writing in advance of any such settlement, but such consent shall not be unreasonably withheld. If any third-party claim is made for which indemnification is asserted hereunder (a "Third-Party Claim"), or in the event any claim for indemnification is made directly by one party against the other (a "Direct Claim"), in the event such Third-Party Claim or Direct Claim is unsuccessful, the party against whom such claim for indemnification is made shall be entitled to recover from the party claiming a right to indemnification all Liabilities incurred by the party against whom such claim for indemnification is made in the defense of such Third-Party Claim or Direct Claim for indemnification. No pre-proceeding settlement of any item which will give rise to a claim for indemnification hereunder shall be effected in the absence of the prior written consent of the indemnifying person, which consent shall not be unreasonably withheld.

8.5 Remedies.

(a) The parties agree that the remedies available for any breach, default or invalidity or unenforceability of any representation, warranty, covenant or agreement contained in this Agreement shall be limited to one or more of: (i) monetary damages, (ii) declaratory relief, (iii) specific performance or (iv) other injunctive relief. Except in the case of actions seeking a declaration that this Agreement is terminated in accordance with the terms of Section 9.1, in no event shall the Outback Entities be entitled to a remedy which allows an Outback Entity to retain ownership of the System but terminates the obligation to pay royalties as provided in Article III (however, an offset of damages against royalties due or to become due shall be allowed). In no event shall the Carrabba Entities be entitled to a remedy which divests CIGI of ownership of the System or any element thereof, or which imposes any significant limitation on CIGI's absolute ownership rights to the System, or which grants any Carrabba Entity or any third party any rights to use the System or elements thereof except pursuant to existing Licensing Agreements, except for MBI’s reversion rights under this Section 8.5.

(b) The parties acknowledge and agree that MBI's transfer and conveyance of the System to CIGI pursuant to Article II hereof constitutes the sole consideration for CIGI's (and its successors and assigns) obligations to pay royalties pursuant to Article III hereof. In accordance with the foregoing, from and after the date of this Agreement, CIGI's obligations to pay royalties pursuant to Article III hereof shall in no respect be conditioned upon the performance by MBI of any further act; and all obligations and covenants of MBI and the Carrabba's Entities hereunder constitute covenants and agreements that are independent of CIGI's obligations to pay royalties pursuant to Article III hereof (subject to CIGI's right of offset referred to in (c) below).

(c) In furtherance of the foregoing, in the event that notwithstanding the express intention and agreement of the parties as set forth herein, CIGI or any trustee for CIGI in bankruptcy or other representative, successor or assign of CIGI should ever obtain any court order, judgment, or ruling in any bankruptcy, receivership or other insolvency proceeding of which CIGI is the subject, or any other proceeding, permanently terminating CIGI's obligation to pay royalties when and as due pursuant to Article III hereof (but not including any temporary abatement during violation of non-competition covenants or as offset against damages), including as a result of a rejection of this Royalty Agreement as an executory contract or a discharge of such obligations or otherwise, the System, and all ownership rights therein shall immediately revert to and become the property of MBI and CIGI or such other party shall immediately take all steps necessary to effect such retransfer and reconveyance.

(d) If Licensor shall be delinquent in the payment of any amount (excluding bona fide amounts in controversy) (and not including any temporary abatement by reason of offset during violation of non-competition covenants or as offset against other damages) payable under Article III hereof for more than six months and either (i) Licensor or any of its Affiliates has granted to any party any interest in any revenues or assets of CIGI, any other Outback Entity or any Restaurant that is by its terms prior in right to payment to, or otherwise prevents MBI's realization of, MBI's rights to receive royalties under Article III as due under this Agreement (excluding a mortgage, security interest or other encumbrance with respect to debt-financed assets (other than the System and elements thereof) which is granted to the lender who provided the funds to acquire such assets) or (ii) Licensor fails to commence and thereafter dililgently pursue the termination of all license, franchise or other rights to use the System of any party that is three months or more delinquent in payment of royalties due from it (other than immaterial delinquencies resulting from miscalculations or oversights made in good faith), then in either such event the System and all ownership rights therein shall immediately revert to and become the property of MBI, and CIGI or such other party shall immediately take all steps necessary to effect such retransfer and reconveyance.

(e) CIGI will cooperate with MBI and take such actions as MBI shall reasonably request to grant and perfect a security interest to MBI to secure its reversionary interest in the System as specified in this Section 8.5.

8.6 Failure to Develop System. If (i) CIGI or any of its Affiliates publicly states that it no longer intends to increase the number of Restaurants or (ii) during any twelve consecutive calendar months, no new Restaurants become subject to the payment of royalties hereunder (except that if a Restaurant was reasonably scheduled to open during such twelve-month period but the opening of the Restaurant was delayed by circumstances beyond CIGI's control, then such Restaurant shall be treated as having been subject to the payment of royalties as of the date it was reasonably scheduled to open, provided that the Restaurant must actually become subject to the payment of royalties within one hundred eighty (180) days of the date it was reasonably scheduled to open), then (x) MBI (or any entity controlled by MBI, Johnny Carrabba or Damian Mandola) shall be permitted to own and operate Restaurants utilizing the System, (y) CIGI shall grant to the entity owning such Restaurants a no-fee license in substantially the same form as the Amended and Restated Licensing Agreement between CIGI nad Carrabba's Inc. executed the date hereof which will enable the entity to utilize the System and (z) the first proviso of Section 5.2 of this Agreement shall not be applicable. Further, any restriction in any other agreement among all or some of the parties hereto which would restrict the ability of MBI, Johnny Carrabba or Damian Mandola to utilize this Section 8.6 shall be inapplicable to any of the activities permitted under this Section 8.6.

ARTICLE IX
TERMINATION; CONVERSION

9.1 Term. The term of this Agreement shall commence upon execution of this Agreement and shall continue in full force and effect until termination. This Agreement shall terminate upon the first to occur of: (i) agreement of CIGI and MBI (or their respective successor in interest) to terminate this Agreement or (ii) conversion of MBI's royalty rights pursuant to Section 9.2. Upon termination of this Agreement as a result of conversion of MBI's royalty rights pursuant to Section 9.2, Outback shall retain all ownership rights to the System, and all other obligations of the parties under this Agreement shall terminate (including all obligations to pay royalties) except for obligations which by their express terms continue in force beyond expiration or termination of this Agreement.

9.2 Conversion. In the event CIGI, or any successor to CIGI as owner of the System, determines to make an initial public offering of any class of its capital stock pursuant to a registration statement filed under the Securities Act of 1933, as amended (or any successor law), CIGI (or its successor) shall give prompt written notice thereof to MBI and shall provide MBI with such information as is then available to CIGI regarding the terms of the proposed offering. The Carrabba Entities agree to keep all such information confidential. CIGI shall promptly arrange a meeting among CIGI, MBI and the managing underwriter of the proposed offering.

At such meeting, CIGI, MBI and the managing underwriter shall attempt in good faith to establish the value of MBI's royalty rights immediately prior to the proposed offering. For a period of five business days following such meeting, MBI shall have the right (but not the obligation), exercisable by written notice which must be received by CIGI prior to 5:00 p.m. eastern time on the fifth business day, to convert its royalty rights under this Agreement into newly issued capital stock of CIGI (or its successor) of the same class as is to be sold in the proposed initial offering. MBI shall receive a number of shares of capital stock which have a value (based on the proposed initial offering price to the public) equal to the value of MBI's royalty rights as agreed upon by the parties, subject to no commission or other deduction.

This conversion option is a one-time only option available only in connection with CIGI's (or its successor's) initial public offering of any class of capital stock. If not timely exercised as provided in the preceding paragraph this conversion option shall forever lapse.

ARTICLE X
MISCELLANEOUS

10.1 Severability. Each section, subsection and lesser section of this Agreement constitutes a separate and distinct undertaking, covenant or provision hereof. In the event that any provision of this Agreement shall be determined to be invalid or unenforceable, such provision shall be deemed limited by construction in scope and effect to the minimum extent necessary to render the same valid and enforceable, and, in the event such a limiting construction is impossible, such invalid or unenforceable provision shall be deemed severed from this Agreement, but every other provision of this Agreement shall remain in full force and effect.

10.2 Consents. Whenever any party's consent is required under this Agreement, such consent (unless otherwise specifically provided herein) shall not be unreasonably withheld, delayed or conditioned.

10.3 Good Faith. The parties hereto covenant to deal with each other fairly and in good faith.

10.4 Notices. Any notice, request, instruction or other document to be given hereunder by any party shall be in writing and delivered personally or sent by registered or certified mail, postage prepaid, to:

To MBI, CI, Johnny Carrabba or John Carrabba, Jr.:	MANGIA BEVE, INC. 3125 Kirby Drive Houston, Texas 77098 Attention: John C. Carrabba, III
To CWI:	CARRABBA'S WOODWAY, INC. 1399 South Voss Houston, Texas 77057 Attention: John C. Carrabba, III
To Damian Mandola:	DAMIAN C. MANDOLA 2155 Addison Road Houston, Texas 77030
In each case with a copy to:	MAYOR, DAY, CALDWELL & KEETON, L.L.P. 700 Louisiana, Suite 1900 Houston, Texas 77002 Attn: Roy Bertolatus, Esq.
To CIGI or Outback:	CARRABBA'S ITALIAN GRILL, INC. 550 North Reo Street, Suite 204 Tampa, Florida 33609 Attention: General Counsel

10.5 Expenses. All expenses of the preparation of this Agreement and of the transactions provided for herein, including, without limitation, counsel fees, accounting fees, sales taxes, recording fees, investment advisors' fees and disbursements, shall be borne by the respective parties incurring such expense, whether or not such transactions are consummated.

10.6 Entire Agreement. **A CONTRACT IN WHICH THE AMOUNT INVOLVED EXCEEDS FIFTY THOUSAND AND NO/100 DOLLARS ($50,000.00) IN VALUE IS NOT ENFORCEABLE UNLESS THE AGREEMENT IS IN WRITING AND SIGNED BY THE PARTY TO BE BOUND OR BY THAT PARTY'S AUTHORIZED REPRESENTATIVE. THE RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO SHALL BE DETERMINED SOLELY FROM WRITTEN AGREEMENTS, DOCUMENTS AND INSTRUMENTS, AND ANY PRIOR ORAL AGREEMENTS BETWEEN THE PARTIES ARE SUPERSEDED BY AND MERGED INTO SUCH WRITINGS. THIS AGREEMENT (AS AMENDED IN WRITING FROM TIME TO TIME), REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES HERETO AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR**

SUBSEQUENT ORAL AGREEMENTS BY THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. THIS PARAGRAPH IS INCLUDED HEREIN PURSUANT TO SECTION 26.02 OF THE TEXAS BUSINESS AND COMMERCE CODE, AS AMENDED FROM TIME TO TIME.

10.7 Language Construction. The language in all parts of this Agreement shall be construed, in all cases, according to its fair meaning, and not for or against either party hereto. The parties acknowledge that each party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

10.8 Modification; Waiver. This Agreement shall not be modified except by an instrument in writing duly signed on behalf of the party against whom enforcement of such modification is sought. No waiver of any provision of this Agreement shall be effective unless in writing and similarly signed, nor shall any failure of any party to enforce any right or remedy hereunder be deemed a waiver of such right or remedy for the future in the same or any situation.

10.9 Captions. Captions have been inserted in this Agreement for reference only and shall not limit or otherwise affect any of its terms and provisions.

10.10 Enforcement. In the event it becomes necessary for any party to institute legal proceedings or to retain the services of an attorney to enforce, interpret or construe any provision hereof, the prevailing party shall be entitled to collect from the non-prevailing party, in addition to other remedies, all costs of such enforcement or legal proceedings, including reasonable attorneys' fees and including appellate proceedings, regardless of whether suit is filed.

10.11 Counterparts. This Agreement may be executed concurrently in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

10.12 Governing Law. This Agreement and its performance shall be governed and construed in accordance with the laws of the State of Florida, without giving effect to the principles or comity or conflicts of law thereof.

10.13 Jurisdiction and Venue. The parties agree that jurisdiction and venue for any legal proceedings instituted in connection with this Agreement shall lie in the state and federal courts having jurisdiction over Hillsborough County, Florida, and each waives the claim or defense that such courts constitute an inconvenient forum; provided, that such jurisdiction and venue shall not be exclusive.

10.14 Joint and Several Obligation of Outback. By its execution of this Agreement, Outback hereby agrees to be jointly and severally liable with CIGI for the full and timely performance by CIGI of each and every obligation and liability of CIGI hereunder, and CIGI may enforce such obligation against Outback without the necessity of pursuing any action or remedy against CIGI.

10.15 Parties Bound. This Agreement shall be binding upon and inure to the benefit of, the parties hereto and their respective successors, permitted assigns, heirs, personal representatives and administrators.

IN WITNESS WHEREOF, the parties have hereunto executed this Agreement as of the day and year first written above.

"CIGI"

Attest: CARRABBA'S ITALIAN GRILL, INC., a Florida corporation

By: /s/ Joseph J. Kadow	By: /s/ Robert D. Basham
Joseph J. Kadow	Robert D. Basham
Title: Secretary	Title: President

"OUTBACK"

Attest: OUTBACK STEAKHOUSE, INC., a Delaware corporation

By: /s/ Joseph J. Kadow	By: /s/ Robert D. Basham
Joseph J. Kadow	Robert D. Basham
Title: Secretary	Title: President

"MBI"

Attest:	MANGIA BEVE, INC., a Texas corporation
By: /s/ Damian C. Mandola	By: /s/ John C. Carrabba, III John C. Carrabba, III
Title: Secretary	Title: President

"CI"

Attest:	CARRABBA, INC., a Texas corporation
By: /s/ Damian C. Mandola	By: /s/ John C. Carrabba, III John C. Carrabba, III
Title: Secretary	Title: President

"CWI"

Attest:	CARRABBA'S WOODWAY, INC., a Texas corporation
By: /s/ Damian C. Mandola	By: /s/ John C. Carrabba, III John C. Carrabba, III
Title: Secretary	Title: President

"Johnny Carrabba"

/s/ John C. Carrabba, III
JOHN C. CARRABBA, III

"Damian Mandola"

/s/ Damian C. Mandola
DAMIAN C. MANDOLA

"John Carrabba, Jr."

/s/ John C. Carrabba, Jr.
JOHN C. CARRABBA, JR.

FIRST AMENDMENT TO ROYALTY AGREEMENT

THIS FIRST AMENDMENT TO ROYALTY AGREEMENT ("Agreement") is made and entered into this 1st day of January, 1997, by and among CARRABBA'S ITALIAN GRILL, INC., a Florida corporation having its principal office located at 405 North Reo Street, Suite 210, Tampa, Florida 33609 (hereinafter "CIGI"), OUTBACK STEAKHOUSE, INC., a Delaware corporation having its principal office located at 550 North Reo Street, Suite 200, Tampa, Florida 33609 (hereinafter "Outback"), MANGIA BEVE, INC., a Texas corporation having its principal office at 3125 Kirby Drive, Houston, Texas 77098 (hereinafter "MBI"), MANGIA BEVE II, INC., a Texas corporation having its principal office at 3125 Kirby Drive, Houston, Texas 77098 (hereinafter "MBI2"), CARRABBA, INC., a Texas corporation having its principal office at 3125 Kirby Drive, Houston, Texas 77098 ("CI"), CARRABBA WOODWAY, INC., a Texas corporation having its principal office at 3125 Kirby Drive, Houston, Texas 77098 ("CWI"), JOHN C. CARRABBA, III, an individual residing in the state of Texas ("Johnny Carrabba"), DAMIAN C. MANDOLA, an individual residing in the state of Texas ("Damian Mandola") and JOHN C. CARRABBA, JR., an individual residing in the state of Texas ("John C. Carrabba, Jr.").

W I T N E S S E T H:

WHEREAS, the parties entered into the Royalty Agreement; and

WHEREAS, simultaneously therewith Carrabba's Italian Grill, Inc. (successor by merger to Outback/Carrabba, Inc.) and Mangia Beve, Inc. entered into that certain amended and restated joint venture agreement of Outback/Carrabba Joint Venture; and

WHEREAS, simultaneously with the Royalty Agreement Carrabba's Italian Grill, Inc. (successor by merger to Outback/Carrabba, Inc.) and Mangia Beve II, Inc. entered into that certain joint venture known as Carrabba/Texas Joint Venture; and

WHEREAS, the parties desire to amend the Royalty Agreement; and

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other great and valuable considerations the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Grant of stock options. The parties acknowledge that Carrabba/Outback Joint Venture and Carrabba/Texas Joint Venture have been formed for the purpose of operating Carrabba's Italian Grill restaurants in the State of Texas as a licensee of Carrabba's Italian Grill, Inc. (as successor to Mangia Beve, Inc.) The parties further acknowledge that Carrabba's Italian Grill, Inc. is a subsidiary of Outback Steakhouse, Inc., a Delaware corporation ("OSI"). The parties acknowledge and agree that as part of its standard compensation package for general managers of restaurants OSI shall grant certain stock options to each proprietor of Carrabba's Italian Grill restaurants (now open and hereafter opened) operated by Carrabba/Outback Joint

Venture and Carrabba/Texas Joint Venture, and their respective successors Carrabba/Outback, Limited Partnership and Carrabba/ Texas, Limited Partnership.

2. Reduction of Royalty. The parties agree that the royalties payable by CIGI to MBI pursuant to Article III of the Royalty Agreement shall be reduced each month during the term of the Royalty Agreement as follows:

(a). The royalties payable for any calendar month under Article III of the Royalty Agreement shall be reduced by an amount equal to (x) one-half of the excess of (i) the closing price of the OSI common stock (as reported on the NASDAQ national market system on the day of exercise) for which options to purchase have been exercised by restaurant proprietors, minus (ii) the purchase price per share to be paid by the restaurant proprietors pursuant to the exercise of such stock options, multiplied by (y) 1 minus the effective federal income tax rate of OSI for the tax year in which such stock options are exercised.

(b). For purposes of calculating the monthly royalty reduction provided for in (a) above, the parties shall use an estimated effective tax rate as determined by OSI's Chief Financial Officer. Within thirty (30) days of final determination of OSI's effective federal income tax rate for such tax year the parties shall reconcile the royalty reduction for such tax year. In the event of under or over reduction the appropriate party shall pay the difference to the other party within ten (10) days of such reconciliation.

3. Acknowledgment. The Carrabba Entities (as that term as defined in the Royalty Agreement), acknowledge and agree that the grant of stock options by OSI to the proprietors of partnership restaurants results in a direct benefit to the joint ventures and the Carrabba Entities. The parties further acknowledge the purpose of this royalty reduction is to compensate CIGI and its affiliates for the benefit received by the Carrabba Entities.

4. Ratification. The parties hereby ratify and confirm the Royalty Agreement and same shall remain in full force and effect except as specifically modified hereby.

IN WITNESS WHEREOF, the parties have hereto executed this Amendment as of the day and year first written above.

"CIGI"

Attest: CARRABBA'S ITALIAN GRILL, INC., a Florida corporation

By: /s/ Joseph J. Kadow
Joseph J. Kadow

Title: Secretary

By: /s/ Robert D. Basham
Robert D. Basham

Title: President

"OUTBACK"

Attest: OUTBACK STEAKHOUSE, INC., a Delaware corporation

By: /s/ Joseph J. Kadow
Joseph J. Kadow

Title: Secretary

By: /s/ Robert D. Basham
Robert D. Basham

Title: President

"MBI"

Attest: MANGIA BEVE, INC., a Texas corporation

By: /s/ Deana L. Davis
/s/ Gregorio O. Bedruz

Title: Secretary

By: /s/ John C. Carrabba, III
John C. Carrabba, III

Title: President

"MBI2"

Attest: MANGIA BEVE II, INC., a Texas corporation

By: /s/ Damian C. Mandola
Damian C. Mandola

Title: Secretary

By: /s/ John C. Carrabba, III
John C. Carrabba, III

Title: President

"CI"

Attest: CARRABBA, INC., a Texas corporation

By: /s/ Damian C. Mandola
Damian C. Mandola

Title: Secretary

By: /s/ John C. Carrabba, III
John C. Carrabba, III

Title: President

"CWI"

Attest: CARRABBA'S WOODWAY, INC., a Texas corporation

By: /s/ Damian C. Mandola
Damian C. Mandola

Title: Secretary

By: /s/ John C. Carrabba, III
John C. Carrabba, III

Title: President

"Johnny Carrabba"

/s/ Deana L. Davis____________
Witness
/s/ Gregorio O. Bedruz_________
Witness

/s/ John C. Carrabba, III
JOHN C. CARRABBA, III

"Damian Mandola"

/s/ Deana L. Davis
Witness
/s/ Gregorio O. Bedruz
Witness

/s/ Damian C. Mandola
DAMIAN C. MANDOLA

"John Carrabba, Jr."

/s/ Deana L. Davis
Witness
/s/ Gregorio O. Bedruz
Witness

/s/ John C. Carrabba, Jr.
JOHN C. CARRABBA, JR.

SECOND AMENDMENT TO ROYALTY AGREEMENT

THIS SECOND AMENDMENT TO ROYALTY AGREEMENT ("Agreement") is made and entered into effective April 7, 2010, by and among CARRABBA'S ITALIAN GRILL, LLC, (formerly Carrabba's Italian Grill, Inc.) a Florida limited liability company having its principal office located at 2202 N. West shore Blvd., Suite 500, Tampa, Florida 33607 (hereinafter "CIGI"), OSI RESTAURANT PARTNERS, LLC, (formerly OSI Restaurant Partners, Inc.) a Delaware limited liability company having its principal office located at 2202 N. West Shore Blvd., Suite 500, Tampa, Florida 33607 (hereinafter "OSI"), MANGIA BEVE, INC., a Texas corporation having its principal office at 3125 Kirby Drive, Houston, Texas 77098 (hereinafter "MBI"), MAGINA BEVE II, INC., a Texas corporation having its principal office at 3125 Kirby Drive, Houston, Texas 77098 (hereinafter "MBI2"), ORIGINAL, INC. (formerly Carrabba, Inc.), a Texas corporation having its principal office at 3125 Kirby Drive, Houston, Texas 77098 ("CI"), VOSS, INC. (formerly Carrabba Woodway, Inc.), a Texas corporation having its principal office at 3125 Kirby Drive, Houston, Texas 77098 ("CWI"), JOHN C. CARRABBA, III, an individual residing in the state of Texas ("Johnny Carrabba"), DAMIAN C. MANDOLA, an individual residing in the state of Texas ("Damian Mandola") and JOHN C. CARRABBA, JR., and individual residing in the state of Texas ("John C. Carrabba, Jr.").

RECITALS

A. The parties entered into that certain Royalty Agreement dated April, 1995 as amended by that certain First Amendment to Royalty Agreement dated January 1997 (collectively "Royalty Agreement"); and

B. Section 8.6 of the Royalty Agreement provides that if during any twelve consecutive calendar months no new Restaurant becomes subject to the payment of royalties under the Royalty Agreement, subject to certain exceptions, then, among other things, MBI will be permitted to own and operate restaurant utilizing the System, i.e., CIGI rights to the System will no longer be exclusive.

C. The parties desire to further amend the Royalty Agreement to provide for a waiver of the and modification of the provisions of Section 8.6 on the terms provided for herein;

Now Therefore, intending to be legally bound, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Amendment to Section 8.6. The parties acknowledge that the last restaurant to become subject to payment of royalties under the Royalty Agreement opened on August 31, 2009.

Notwithstanding the provisions of Section 8.6 (or any other provision of the Royalty Agreement), the parties acknowledge and agree that CIGI shall be deemed in full compliance with Section 8.6 and CIGI's rights to the System shall remain exclusive so long as:

(a) at least one new Restaurant becomes subject to the payment of royalties under the Royalty Agreement on or before July 31, 2011; and

(b) at least one new Restaurant becomes subject to the payment or royalties under the Royalty Agreement during each twelve calendar month period ending on each anniversary of July 31 thereafter; and

(c) CIGI pays to MBI an additional royalty (in addition to all other royalties due under the Royalty Agreement) of Three Thousand Seven Hundred Fifty Dollars ($3,750.00) each month for sixty (60) consecutive months commencing with the month of August 2010 and ending with the month of July 2015. The additional royalty provided for in this subsection (c) shall be payable as provided for in Section 3.4 of the Royalty Agreement and shall be included with the normal monthly royalty payment.

So long as CIGI complies with the terms of this Section 1 of this Second Amendment, then Section 8.6 of the Royalty Agreement or any part thereof shall not be operative, including, but not limited to, clauses (x), (y), (z) and the last sentence of Section 8.6.

2. Ratification. The Royalty Agreement is hereby ratified and confirmed and shall remain in full force and effect as amended hereby. The provisions of Section 1 of this Second Amendment shall constitute an amendment to Section 8.6 of the Royalty Agreement.

CARRABBAS' ITALIAN GRILL, LLC
by its sole manager-member

OSI Restaurant Partners, LLC

By: /s/ Joseph J. Kadow
Joseph J. Kadow, Executive Vice President

OSI RESTAURANT PARTNERS, LLC

MANGIA BEVE, INC.

By: /s/ John C. Carrabba, III

Title: President

MANGIA BEVE II, INC.

By: /s/ John C. Carrabba, III

Title: President

ORIGINAL, INC.

By: /s/ John C. Carrabba, III

Title: President

VOSS, INC.

By: /s/ John C. Carrabba, III

Title: President

/s/ John C. Carrabba, III
JOHN C. CARRABBA, III, individually

/s/ Damian C. Mandola
DAMIAN C. MANDOLA, individually

/s/ John C. Carrabba, JR.

JOHN C. CARRABBA, JR., individually

AMENDED AND RESTATED
OPERATING AGREEMENT
FOR
OSI/FLEMING'S, LLC
(formerly known as OUTBACK/FLEMING'S, LLC)
A DELAWARE LIMITED LIABILITY COMPANY

THE SECURITIES REPRESENTED BY THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 NOR REGISTERED NOR QUALIFIED UNDER ANY STATE SECURITIES LAWS. SUCH SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, OR HYPOTHECATED UNLESS QUALIFIED AND REGISTERED UNDER APPLICABLE STATE AND FEDERAL SECURITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL SATISFACTORY TO THE COMPANY, SUCH QUALIFICATION AND REGISTRATION IS NOT REQUIRED. ANY TRANSFER OF THE SECURITIES REPRESENTED BY THIS AGREEMENT IS FURTHER SUBJECT TO OTHER RESTRICTIONS, TERMS AND CONDITIONS WHICH ARE SET FORTH HEREIN.

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OPERATING AGREEMENT
FOR
OSI/FLEMING'S, LLC
(formerly known as OUTBACK/FLEMING'S, LLC)
A DELAWARE LIMITED LIABILITY COMPANY

This Amended and Restated Operating Agreement is made as of June 4, 2010, by and among the parties listed on the signature pages hereof, with reference to the following facts:

A. On September 10, 1999, a Certificate of Formation for OUTBACK/FLEMING'S, LLC, a limited liability company organized under the laws of the State of Delaware (the "Company"), was filed with the Delaware Secretary of State.

B. On October 1, 1999, the parties adopted and approved a Limited Liability Company Operating Agreement for the Company (the "Original Operating Agreement), which was subsequently amended on October 1, 2000, September 1, 2004. July 21, 2005, December 18, 2007, January 1, 2008 and January 1, 2009 (collectively, the "Amendments").

C. In December of 2007, the Company was a party to an Agreement of Merger, whereby Blue Coral Seafood and Spirits, LLC merged with and into the Company and as a part of such merger, the Company's name was changed to OSI/Fleming's, LLC.

D. The parties desire to amend and restate the Original Operating Agreement, to reflect the changes made by the Amendments and to further modify the terms of the Original Operating Agreement as provided herein.

NOW, THEREFORE, the parties by this Agreement set forth the amended and restated operating agreement (the "Operating Agreement") for the Company under the laws of the State of Delaware upon the terms and subject to the conditions of this Agreement.

Article I. DEFINITIONS

When used in this Agreement, the following terms shall have the meanings set forth below (all terms used in this Agreement that are not defined in this **Article I** shall have the meanings set forth elsewhere in this Agreement):

(a) "Act" shall mean the Delaware Limited Liability Company Act, as the same may be amended from time to time.

(b) "Affiliate" of a Person shall mean any Person, directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with such Person, as applicable. The term "control," as used in the immediately preceding sentence, shall mean with respect to a corporation or limited liability company the right to exercise, directly or indirectly, more than fifty percent (50%) of the voting rights attributable to the controlled corporation or limited liability company, and, with respect to any individual, partnership, trust, other entity or association, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled entity.

(c) "Agreement" shall mean this Operating Agreement, as originally executed and as amended or amended and restated from time to time.

(d) "Annual Business Plan" shall mean the detailed business plan for the Company prepared by the President of the Company and approved by a Managing Interest of the Members, no less often than annually, which plan shall contain an operating budget, a capital budget, cash flow projections, sources of cash analysis (including analysis of any intended borrowings or financings), an operating plan (including plans related to the strategic business plan), and detailed quantifiable goals for the plan year.

(e) "Assignee" shall mean the owner of an Economic Interest who has not been admitted as a substitute Member in accordance with **Article VII**.

(f) "Bankruptcy" shall mean: (a) the filing of an application, or consent to, the appointment of a trustee, receiver, or custodian of other assets; (b) the filing of a voluntary petition in bankruptcy; (c) the entry of an order for relief in proceedings under the United States Bankruptcy Code, as amended or superseded from time to time; (d) the making of a general assignment for the benefit of creditors; (e) the entry of an order, judgment, or decree by any court of competent jurisdiction appointing a trustee, receiver, or custodian of assets unless the proceedings and the person appointed are dismissed within ninety (90) days; or (f) the failure to pay debts as the debts become due within the meaning of Section 303(h)(1) of the United States Bankruptcy Code, as determined by the Bankruptcy Court, or the admission in writing of inability to pay its debts as they become due.

(g) "Capital Account" shall mean with respect to any Member the capital account that the Company establishes and maintains for such Member pursuant to **Section 3.7**.

(h) "Capital Contribution" shall mean the total amount of cash and fair market value of property contributed to the capital of the Company by the Members.

(i) "Certificate" shall mean the Certificate of Formation for the Company originally filed with the Delaware Secretary of State and as amended from time to time.

(j) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, the provisions of succeeding law, and to the extent applicable, the Regulations.

(k) [Removed and Reserved]

(l) "Company" shall mean OSI/FLEMING'S, LLC, a Delaware limited liability company (formerly known as OUTBACK/FLEMING'S, LLC).

(m) "Company Minimum Gain" shall have the meaning ascribed to the term "Partnership Minimum Gain" in the Regulations Section 1.704-2(d).

(n) "Distributable Cash" shall mean the amount of cash which a Managing Interest deems available for distribution to the Members, taking into account all debts, liabilities, and obligations of the Company then due, and working capital and other amounts which are described in the Annual Business

Plan, and necessary for the Company's business or to place into reserves for customary and usual claims with respect to such business.

(o) "Economic Interest" shall mean the right to receive distributions of the Company's assets and allocations of income, gain, loss, deduction, credit and similar items from the Company pursuant to this Agreement and the Act, but shall not include any other rights of a Member, including, without limitation, the right to vote or participate in the management of the Company.

(p) "Fiscal Year" shall mean the Company's fiscal year, which shall be the calendar year.

(q) "Fleming's" shall mean FPSH Limited Partnership, an Arizona limited partnership ("FPSH LP") and AWA III Steakhouses, Inc., a California corporation ("AWA INC"), individually and collectively.

(r) "Fleming's Principals" shall mean Paul M. Fleming and A. William Allen, III.

(s) "Majority Interest" shall mean those non-defaulting Members who hold at least fifty one percent (51%) of the Percentage Interests entitled to vote.

(t) "Managing Interest" shall mean at least fifty one percent (51%) of the Members entitled to vote, with FPSH LP being entitled to one (1) vote; AWA INC being entitled to one (1) vote; and Outback being entitled to two (2) votes.

(u) "Member" shall mean each Person who (a) is an initial signatory to this Agreement, has been admitted to the Company as a Member in accordance with the Certificate and this Agreement or is an Assignee who has become a Member in accordance with **Article VII**, and (b) has not ceased to be a Member in accordance with **Article VII,** or for any other reason.

(v) "Member Nonrecourse Debt" shall have the meaning ascribed to the term "Partner Nonrecourse Debt" in Regulations Section 1.704-2(b)(4).

(w) "Member Nonrecourse Deductions" shall mean items of Company loss, deduction, or Code Section 705(a)(2)(B) expenditures that are attributable to Member Nonrecourse Debt.

(x) "Membership Interest" shall mean a Member's entire interest in the Company including the Member's Economic Interest, the right to vote on or participate in the management, and the right to receive information concerning the business and affairs, of the Company.

(y) "Net Profits" and "Net Losses" shall mean the income, gain, loss and deductions of the Company in the aggregate or separately stated, as appropriate, determined in accordance with the method of accounting at the close of each Fiscal Year on the Company's information tax return filed for federal income tax purposes.

(z) "Nonrecourse Liability" shall have the meaning set forth in Regulations Section 1.752-1(a)(2).

(aa) "Outback" shall mean OS PRIME, LLC, a Florida limited liability company (formerly known as OS Prime, Inc., a Florida corporation), and a wholly-owned subsidiary of OSI Restaurant

Partners, LLC, a Delaware limited liability company (formerly known as Outback Steakhouse, Inc. ("OSI").

(bb)"Percentage Interest" shall mean the percentage ownership interest of a Member in the Company, as such percentage may be adjusted from time to time pursuant to the terms of this Agreement. The current Percentage Interests of the Members shall be as reflected on **Schedule 1**, attached hereto and incorporated herein;

(cc) "Person" shall mean an individual, partnership, limited partnership, limited liability company, corporation, trust, estate, association or any other entity.

(dd) "Proprietary Marks" shall mean any and all trade names, service marks and trademarks used in connection with the System.

(ee) "Regulations" shall, unless the context clearly indicates otherwise, mean the regulations in force as final or temporary that have been issued by the U.S. Department of Treasury pursuant to its authority under the Code, and any successor regulations.

(ff) "Restaurant(s)" shall mean those certain upscale steakhouse restaurants developed, owned and/or operated by the Company utilizing the Fleming's Prime Steakhouse and Wine Bar concept and operating system.

(gg) "System" shall mean the Fleming's Prime Steakhouse and Wine Bar concept and operating system and all elements thereof including, without limitation, recipes, operating technologies and Proprietary Marks.

(hh) "Tax Matters Partner" (as defined in Code Section 6231) shall be Outback or its successor as designated pursuant to **Section 9.8**.

Article II. ORGANIZATIONAL MATTERS

2.1 Formation. The Members have formed a Delaware limited liability company under the laws of the State of Delaware by filing the Certificate with the Delaware Secretary of State and entering into this Agreement, which Agreement shall be deemed effective as of the date first listed above. The rights and liabilities of the Members shall be determined pursuant to the Act and this Agreement. To the extent that the rights or obligations of any Member are different by reason of any provision of this Agreement than they would be in the absence of such provision, this Agreement shall, to the extent permitted by the Act, control.

2.2 Name. The name of the Company shall be "OSI/FLEMING'S, LLC". The business of the Company may be conducted under that name or, upon compliance with applicable laws, any other name that a Managing Interest of the Members deems appropriate or advisable. The officers of the Company shall file any fictitious name certificates and similar filings, and any amendments thereto, that the officers of the Company consider appropriate or advisable.

2.3 Term. The term of this Agreement commenced on the filing of the Certificate and shall continue until terminated as hereinafter provided.

2.4 Office and Agent. The Company shall continuously maintain a registered office and agent in the State of Delaware. The registered office and agent shall be as stated in the Certificate or as otherwise determined by a Managing Interest of the Members. The principal office of the Company shall be 2202 N. Westshore Blvd., Tampa, Florida 33607, or as a Managing Interest of the Members may determine. The Company may also have such offices, anywhere within and without the State of Delaware, as the officers of the Company may determine from time to time, or the business of the Company may require.

2.5 Addresses of the Members. The respective addresses of the Members are set forth on **Exhibit A**. A Member may change its address upon notice thereof to the Secretary of the Company.

2.6 Purpose and Business of the Company. The purpose of the Company is to engage in any lawful activity for which a limited liability company may be organized under the Act. Notwithstanding the foregoing, without the consent of a Majority Interest, the Company shall not engage in any business other than the following:

A. The establishment, ownership, operation and franchising of upscale steakhouse restaurants utilizing the System; and

B. Such other activities directly related to and in furtherance of the foregoing business as may be necessary, advisable, or appropriate as determined by a Managing Interest of the Members.

C. This Agreement shall not be deemed or construed to create a relationship between the Members with respect to any activities whatsoever except for those activities required for the accomplishment of the Company's purpose as specified in this **Section 2.6**. The Members acknowledge and agree that upon contribution of the System and Proprietary Marks by Fleming's pursuant to **Section 3.1** hereof, the Company shall be the sole and exclusive owner of the System and the Proprietary Marks and the Members shall have no right, title, or interest in or to the System or the Proprietary Marks, except as specifically provided in this Agreement.

Article III. CAPITAL CONTRIBUTIONS

3.1. Termination Fee. Outback shall be solely responsible for the $750,000 termination fee ("Termination Fee") for the termination of the Company's Blue Coral Newport Beach location lease. Neither FPSH LP nor AWA INC shall be required to contribute capital to cover any portion of the Termination Fee, nor will FPSH LP or AWA INC's capital accounts be reduced by any portion of the Termination Fee. Both FPSH LP and AWA INC shall remain responsible for their proportionate share of the negative cash flow and closing costs, other than the Termination Fee, for the Company's Blue Coral Newport Beach location.

3.2. [Removed and Reserved].

3.3 Interest on Capital Contributions. No Member shall receive, or be entitled to receive, interest on its contributions to the capital of the Company. Except as otherwise provided herein, no Member shall have the right to demand or to receive the return of all or any part of its Capital Account or of its contributions to the capital of the Company.

3.4 No Additional Capital Contributions. In no event shall any Member be obligated to make any additional capital contributions, except as otherwise expressly provided herein.

3.5 Liability for Certain Obligations. Fleming's Principals and Outback covenant and agree that as to any guaranty of any debt, liability, or obligation of the Company, including, without limitation, material long-term obligations, such as liability as lessee under leases for Restaurant premises and liability on loans (collectively "Obligations"), Fleming's Principals and Outback's parent company, OSI, shall guarantee such Obligations if required by the third party creditor; provided however, Fleming's Principals and OSI shall each be proportionately liable to any third party creditor for only up to the percentage of the outstanding balance under such Obligations as is equal to the applicable affiliated Member's Percentage Interest in the Company at the time in question, and shall not be jointly and severally liable therefor.

3.6 Documentation. Fleming's Principals and Outback covenant and agree that all documentation evidencing any guaranties of the Company's material, long term obligations, including, without limitation, a Restaurant premises lease, any promissory notes, and any lease for furniture, fixture and equipment, shall limit the liability of each of Fleming's Principals and OSI to such percentage of any amounts outstanding under such obligations as is equal to the applicable affiliated Member's Percentage Interest in the Company at the time in question, and shall specifically state that Fleming's Principals and OSI shall not be individually liable for the entire amount thereof, nor jointly and severally liable therefor. This provision may not be waived without the unanimous consent of all Members.

3.7 Capital Accounts. The Company shall establish and maintain an individual Capital Account for each Member in accordance with Regulations Section 1.704-1(b)(2)(iv). If a Member transfers all or a part of its Membership Interest in accordance with this Agreement, such Member's Capital Account attributable to the transferred Membership Interest shall carry over to the new owner of such Membership Interest pursuant to Regulations Section 1.704-1(b)(2)(iv)(1). FPSH LP shall receive a $250,000 credit to its Capital Account as a result of the funds received by the Company for the assignment to a third party of the lease for its prior Blue Coral La Jolla location.

3.8 Failure to Make Contributions. If a Member does not timely contribute capital when required, that Member shall be in default under this Agreement. In such event, a non-defaulting Member shall send the defaulting Member written notice of such default, giving such Member fourteen (14) days from the date such notice is given to contribute the entire amount of its required Capital Contribution. If the defaulting Member does not contribute its required capital to the Company within said fourteen (14)-day period, those non-defaulting Members who hold a majority of the Percentage Interests held by all non-defaulting Members may elect any one or more of the following remedies:

A. One or more non-defaulting Members may advance funds to the Company to cover those amounts that the defaulting Member fails to contribute. Amounts that a non-defaulting Member so advances on behalf of the defaulting Member shall become a loan due and owing from the defaulting Member to such non-defaulting Member and bear interest at the rate of ten percent (10%) per annum, payable monthly. All cash distributions otherwise distributable to the defaulting Member under this Agreement shall instead be paid to the non-defaulting Members making such advances until such advances and interest thereon are paid in full. In any event, any such advances shall be evidenced by a promissory note in a form reasonably acceptable to the non-defaulting Members and be due and payable by the defaulting Member one (1) year from the date that such advance was made. Any amounts repaid shall first be applied to costs of collection, then to interest and thereafter to principal. Effective upon a Member becoming a defaulting Member, each Member grants to the non-defaulting Members who advance funds under this **Section 3.8A** a security interest in its Membership Interest to secure its obligation to repay such advances and agrees to execute and deliver a promissory note as described herein together with a security agreement in a form reasonably acceptable to the non-defaulting Members and such UCC-1 financing statements and assignments of certificates of membership (or other documents of transfer) as such non-defaulting Members may reasonably request.

B. One or more non-defaulting Members may contribute funds to the capital of the Company to cover those amounts that the defaulting Member fails to contribute. In such event, the Percentage Interests of all Members shall be adjusted proportionately to reflect the cumulative total Capital Contributions each Member has contributed or, with respect to a non-defaulting Member, which such Member has agreed to contribute.

C. The non-defaulting Members who hold a majority of the Percentage Interests held by all non-defaulting Members may dissolve the Company, in which event the Company shall be wound-up, liquidated and terminated pursuant to **Article X.**

D. The defaulting Member shall lose its voting and approval rights under the Act, the Certificate and this Agreement.

E. The defaulting Member shall lose its ability to participate in the management and operations of the Company.

F. The Company or the non-defaulting Members may purchase the defaulting Member's entire Membership Interest for an amount equal to eighty percent (80%) of the Fair Market Value of the Membership Interest.

(i) Determination of Fair Market Value. For the purposes of this **Section 3.8F**, the "Fair Market Value" of the Membership Interest at issue shall be determined in the following manner:

(a) The defaulting Member and the non-defaulting Members shall agree upon the Fair Market Value of the defaulting Member's Membership Interest within ten (10) days following the date of the event of default. If there is no agreement on the Fair Market Value, the defaulting Member and the non-defaulting Members shall agree upon a mutually acceptable appraiser within fifteen (15) days following the date of the event of default, or, in the event such persons fail to so agree, two (2) appraisers shall be appointed within twenty (20) days following the date of the event of default, one by the defaulting Member, and one by the non-defaulting Members. If the defaulting Member, on the one hand, or the non-defaulting Members, on the other hand, fail to appoint an appraiser within the twenty (20) day period specified herein, the sole appraiser appointed within such twenty (20) day period shall be the sole appraiser for the purposes of determining Fair Market Value of the defaulting Member's Membership Interest to be purchased pursuant to this **Section 3.8F**. The defaulting Member and the non-defaulting Members shall promptly provide notice of the name of the appraiser so appointed by such party to the other. A third appraiser, if the initial two appraisers are appointed, shall be appointed by the mutual agreement of the first two appraisers so appointed, or, if such first two appraisers fail to agree upon a third appraiser within thirty (30) days following the date of the event of default, either the defaulting Member or the non-defaulting Members may demand the appointment of an appraiser be made by the then director of the Regional Office of the American Arbitration Association located nearest to the Company's principal office, in which event the appraiser appointed thereby shall be the third appraiser. Each of the appraisers shall submit to the defaulting Member and the non-defaulting Members, within thirty (30) days after the final appraiser has been appointed ("Appraisal Period"), a written appraisal (the "Appraisal") of the Fair Market Value of the defaulting Member's Membership Interest.

(b) In connection with any appraisal conducted pursuant to this Agreement, the parties hereto agree that any appraiser appointed hereunder shall be given full access during normal business hours to all information required and relevant to a valuation of the defaulting Member's Membership Interest.

(c) If three appraisers are appointed, the Fair Market Value of the defaulting Member's Interest in question shall be equal to the numerical average of three appraised determinations; provided, however, that if the difference between any two appraisals is not more than ten percent (10%) of the lower of the two, and the third appraisal differs by more than twenty-five percent (25%) of the lower of the other two appraisals, the numerical average of such two appraisals shall be determinative.

(d) Any appraiser, to be qualified to conduct an appraisal hereunder, shall be an independent appraiser (i.e., not affiliated with Outback or the Fleming's Principals), an M.A.I. appraiser or its equivalent, and shall be reasonably competent as an expert to appraise the value of the defaulting Member's Percentage Interest. If any appraiser initially appointed under this Agreement shall, for any reason, be unable to serve, a successor appraiser shall be promptly appointed in accordance with the procedures pursuant to which the predecessor appraiser was appointed.

Notwithstanding the foregoing, if the determination of the Fair Market Value of the defaulting Member's Percentage Interest by appraisal is not completed and all appraisal reports delivered as provided herein within the Appraisal Period, then all closing, payment, and similar dates subsequent thereto shall be automatically extended one (1) day for each day delivery of the appraisal reports is delayed beyond the end of the Appraisal Period.

(e) The cost of the appraiser appointed by each party shall be borne by each such party. The cost of the third appraiser, if any, or the sole appraiser, in the event the defaulting Member and the non-defaulting Members mutually agree upon a single appraiser, shall be borne equally by the defaulting Member and the non-defaulting Member.

(ii) Notice of Intent to Purchase. Within thirty (30) days after the determination of the purchase price of the defaulting Member's Membership Interest in accordance with **Section 3.8F(i),** each non-defaulting Member shall notify the defaulting Member in writing of its desire to purchase a portion of the defaulting Member's Membership Interest. The failure of any non-defaulting Member to submit a notice within the applicable period shall constitute an election on the part of the Member not to purchase any of the defaulting Member's Membership Interest. Each non-defaulting Member so electing to purchase shall be entitled to purchase a portion of the defaulting Member's Membership Interest in the same proportion that the Membership Interest of the non-defaulting Member bears to the aggregate of the Membership Interests of all of the non-defaulting Members electing to purchase the defaulting Member's Interest.

(iii) Election to Purchase Less Than All of the defaulting Member's Membership Interest. If any non-defaulting Member elects to purchase none or less than all of its pro rata share of the defaulting Member's Membership Interest, then the non-defaulting Members may elect to purchase more than their pro rata share. If the non-defaulting Members fail to purchase the entire Membership Interest of the defaulting Member, the Company may purchase any remaining share of the defaulting Member's Membership Interest. If the non-defaulting Members and the Company do not elect to purchase all of the defaulting Member's Membership Interest, such Membership Interest not purchased shall be that of an Economic Interest only.

(iv) Payment of Purchase Price. The purchase price shall be paid by the Company or the non-defaulting Members, as the case may be, by either of the following methods, each of which may be selected separately by the Company or the non-defaulting Members:

(a) The Company or the non-defaulting Members shall at the closing pay in cash the total purchase price for the defaulting Member's Membership Interest; or

(b) The Company or the non-defaulting Members shall pay at the closing one-fifth (1/5) of the purchase price and the balance of the purchase price shall be paid in four equal annual principal installments, plus accrued interest, and be payable each year on the anniversary date of the closing. The unpaid principal balance shall accrue interest at the current applicable federal rate as provided in the Code for the month in which the initial payment is made, but the Company and the non-defaulting Members shall have the right to prepay in full or in part at any time without penalty. The obligation of each purchasing non-defaulting Member, and the Company, as applicable, to pay its portion of the balance due shall be evidenced by a separate promissory note executed by the respective purchasing non-defaulting Member or the Company, as applicable. Each such promissory note shall be in an original principal amount equal to the portion owed by the respective purchasing non-defaulting Member or the Company, as applicable. The promissory note executed by each purchasing non-defaulting Member shall be secured by a pledge of that portion of the defaulting Member's Membership Interest purchased by such non-defaulting Member.

(v) <u>Closing of Purchase of defaulting Member's Membership Interest</u>. The closing for the sale of a defaulting Member's Interest pursuant to this **Section 3.8** shall be held at 10:00 a.m. at the principal office of Company no later than sixty (60) days after the determination of the purchase price, except that if the closing date falls on a Saturday, Sunday, or legal holiday, then the closing shall be held on the next succeeding business day. At the closing, the defaulting Member or such defaulting Member's legal representative shall deliver to the Company or the non-defaulting Members an instrument of transfer (containing warranties of title and no encumbrances) conveying the defaulting Member's Membership Interest. The defaulting Member or such defaulting Member's legal representative, the Company and the non-defaulting Members shall do all things and execute and deliver all papers as may be necessary fully to consummate such sale and purchase in accordance with the terms and provisions of this Agreement.

(vi) <u>Purchase Terms Varied by Agreement</u>. Nothing contained herein is intended to prohibit Members from agreeing upon other terms and conditions for the purchase by the Company or any Member of the Membership Interest of any Member in the Company.

Each Member acknowledges and agrees that (i) a default by any Member in making a required Capital Contribution will result in the Company and the non-defaulting Members incurring certain costs and other damages in an amount that would be extremely difficult or impractical to ascertain and (ii) the remedies described in this **Section 3.8** bear a reasonable relationship to the damages which the Members estimate may be suffered by the Company and the non-defaulting Members by reason of the failure of a defaulting Member to make any required Capital Contribution and the election of any or all of the above described remedies is not unreasonable under the circumstances existing as of the date hereof.

The election of the non-defaulting Members to pursue any remedy provided in this **Section 3.8** shall not be a waiver or limitation of the right to pursue an additional or different remedy available hereunder or at law or equity with respect to any such default.

Article IV. MEMBERS

4.1 Limited Liability. Except as expressly set forth in this Agreement or required by law, no Member shall be personally liable for any debt, obligation, or liability of the Company, whether that liability or obligation arises in contract, tort, or otherwise.

4.2 Admission of Additional Members. A Managing Interest, with the approval of a Majority Interest, may admit to the Company additional Members. Any additional Members shall obtain Membership Interests and will participate in the management, Net Profits, Net Losses, and distributions of the Company on such terms as are determined by a Managing Interest and approved by a Majority Interest. Notwithstanding the foregoing, Assignees may only be admitted as substitute Members in accordance with **Article VII.**

4.3 No Withdrawals or Resignations. No Member may withdraw or resign from the Company. If a Member wrongfully withdraws or resigns as a Member, that Member shall have no right to receive any distribution or any payment for the fair value of its Membership Interest other than such distributions or payments as are made to all Members pursuant to this Agreement.

4.4 Termination of Membership Interest. Upon the transfer of a Member's Membership Interest in violation of **Article VII**, the Membership Interest of such Member shall be terminated and thereafter that Member shall be an Assignee only unless such Membership Interest shall be purchased by the Company and/or remaining Members pursuant to the terms of **Section 7.8**. Such Member shall have no right to vote on any Company matters. Each Member acknowledges and agrees that such termination or purchase of a Membership Interest upon the occurrence of any of the foregoing events is not unreasonable under the circumstances existing as of the date hereof.

4.5 Transactions With The Company. Subject to any limitations set forth in this Agreement and notwithstanding that it may constitute a conflict of interest, with the prior approval of a Managing Interest, a Member may lend money to and transact other business with the Company, including but not limited to entering into franchise agreements (and any modifications or renewals thereof) with the Company; the purchase, sale, lease, or exchange of any property with the Company; or the rendering of any service to the Company, so long as the terms and conditions of such transaction, on an overall basis, are fair and reasonable to the Company and are at least as favorable to the Company as those that are generally available from Persons capable of similarly performing them and in similar transactions between parties operating at arm's length. Subject to other applicable law, any Member entering into such transaction(s) with the Company has the same rights and obligations with respect thereto as a Person who is not a Member.

4.6 Voting Rights. Except as expressly provided in this Agreement or the Certificate, Members shall have no voting, approval or consent rights. Except where this Agreement specifically requires a greater percentage affirmative vote, in all matters in which a vote, approval or consent of the Members is required, a vote, consent or approval of a Majority Interest (or, in instances in which there are defaulting Members, non-defaulting Members who hold a majority of the Percentage Interests held by all non-defaulting Members) shall be sufficient to authorize or approve such act. All votes, approvals or consents of the Members may be given or withheld, conditioned or delayed as the Members may determine in their sole and absolute discretion.

4.7 Meetings of Members. Meetings of Members may be held at such date, time and place as the Member calling the meeting may reasonably fix from time to time. No annual or regular meetings of Members are required. Meetings of the Members may be called by any Member holding more than ten percent (10%) of the Percentage Interests for the purpose of addressing any matters on which the Members may vote. Written notice of a meeting of Members shall be sent or otherwise given to each Member not less than seven (7) nor more than sixty (60) days before the date of the meeting. The notice shall specify the place, date and hour of the meeting and the general nature of the business to be transacted.

The actions taken at any meeting of Members, however called and noticed, and wherever held, have the same validity as if taken at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy, and if, either before or after the meeting, each of the Members entitled to vote, who was not present in person or by proxy, signs a written waiver of notice or consents to the holding of the meeting or approves the minutes of the meeting. All such waivers, consents or approvals shall be filed with the Company records or made a part of the minutes of the meeting.

Any action that may be taken at a meeting of Members may be taken without a meeting, if a consent in writing setting forth the action so taken, is signed and delivered to the Company within sixty (60) days of the record date for that action by Members having not less than the minimum number of votes that would be necessary to authorize or take that action at a meeting at which all Members entitled to vote on that action at a meeting were present and voted. All such consents shall be filed with the secretary of the Company and shall be maintained in the Company records. Any Member giving a written consent, or the Member's proxy holders, may revoke the consent by a writing received by the secretary of the Company before written consents of the number of votes required to authorize the proposed action have been filed.

Unless the consents of all Members entitled to vote have been solicited in writing, (i) notice of any Member approval of an amendment to the Certificate or this Agreement, a dissolution of the Company, or a merger of the Company, without a meeting by less than unanimous written consent, shall be given at least ten (10) days before the consummation of the action authorized by such approval, and (ii) prompt notice shall be given of the taking of any other action approved by Members without a meeting by less than unanimous written consent, to those Members entitled to vote who have not consented in writing.

Article V. MANAGEMENT AND CONTROL OF THE COMPANY

5.1 Management of the Company by Members. The business, property and affairs of the Company shall be managed by the Members of the Company. Except for situations in which the approval of a Majority Interest of the Members is expressly required by this Agreement, a Managing Interest of the Members shall have full, complete and exclusive authority, power, and discretion to manage and control the business, property and affairs of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business, property and affairs.

5.2 [Removed and Reserved].

5.3 Powers of the Managing Interest.

A. Rights Reserved for Managing Interest of Members. Without limiting the generality of **Section 5.1**, but subject to **Section 5.3D** and to the limitations set forth elsewhere in this Agreement, a Managing Interest of the Members shall have the sole and exclusive powers to manage and carry out the purposes, business, property, and affairs of the Company, including, without limitation, the power to exercise on behalf and in the name of the Company all of the powers of a natural person, including, without limitation, the power to:

(i) Authorize the execution and delivery of any agreement;

(ii) Acquire, purchase, lease, renovate, improve, alter, rebuild, demolish, replace, and own real property and any other property or assets that a Managing Interest of the Members determines is necessary or appropriate or in the interest of the business of the Company, and to acquire options for the purchase of any such property;

(iii) Sell, exchange, lease, or otherwise dispose of the real property and other property and assets owned by the Company, or any part thereof, or any interest therein;

(iv) Sue on, defend, or compromise any and all claims or liabilities in favor of or against the Company; submit any or all such claims or liabilities to arbitration; and confess a judgment against the Company in connection with any litigation in which the Company is involved; and

(v) Retain legal counsel, auditors, and other professionals in connection with the Company business and to pay therefor such remuneration as a Managing Interest of the Members may determine.

B. Annual Business Plan. At least sixty (60) days prior to the commencement of each Fiscal Year, the President shall submit to the Members for approval by a Managing Interest, the Annual Business Plan for the Company. The President and the Members shall at all times use their best efforts to operate the Company in conformity with the Annual Business Plan.

C. Maximization of Value. The Members shall from time to time evaluate in good faith all options available to the Company to maximize the value of each Member's Percentage Interest in the Company, such as, but not limited to, an initial public offering, strategic sale, or merger into OSI.

D. Limitations on Power of a Managing Interest of the Members.

(i) Limitations on Acts of Managing Interest. A Managing Interest of the Members shall not have authority hereunder to cause the Company to engage in the following without first obtaining the affirmative vote or written consent of a Majority Interest (or such greater Percentage Interest as is set forth below) of the Members:

(a) The operation of any Restaurant other than in conformity with the operating procedures established pursuant to, or in accordance with, the System;

(b) The sale, exchange or other disposition of all, or substantially all, of the Company's assets occurring as part of a single transaction or plan, or in multiple transactions over a six (6) month period, except in the orderly liquidation and winding up of the business of the Company upon its duly authorized dissolution;

(c) The borrowing of money from any party in excess of $25,000, the issuance of evidences of indebtedness in connection therewith, the refinancing, increase in the amount of, modification, amendment, or changing of the terms, or extension of the time for the payment of any indebtedness or obligation of the Company, and securing such indebtedness by mortgage, deed of trust, pledge, security interest, or other lien on Company assets;

(d) The merger of the Company with a corporation, another limited liability company or limited partnership which is not an Affiliate of the Company or of any of the Members; provided in no event shall a Member be required to become a general partner in a merger with a limited partnership without its express written consent;

(e) The merger of the Company with any general partnership, or with a corporation, limited liability company or limited partnership which is an Affiliate of the Company or any of the Members, shall require the affirmative vote or written consent of Members owning a ninety percent (90%) Percentage Interest;

(f) The admission of any person as a Member, or the establishment of different classes of Members;

(g) An alteration of the primary purpose or business of the Company as set forth in **Section 2.6;**

(h) The lending of money by the Company to any Member or officer;

(i) Any act which would make it impossible to carry on the ordinary business of the Company;

(j) The declaration of Bankruptcy on behalf of the Company;

(k) The payment of any amount in violation of this Agreement; and

(l) Any other transaction described in this Agreement as requiring the vote, consent, or approval of the Members.

(ii) [Removed and Reserved].

5.4 Liability of Members for Management Responsibilities. The Members, while carrying out their management responsibilities pursuant to this Agreement, shall not be liable to the Company or to any Member for any loss or damage sustained by the Company or any Member, unless the loss or damage shall have been the result of fraud, deceit, gross negligence, reckless or intentional misconduct, breach of fiduciary duty, a knowing violation of law by a Member or a breach of the Member's obligations under this Agreement, in which event such Member shall be so liable.

5.5 [Removed and Reserved].

5.6 [Removed and Reserved].

5.7 Officers. A Managing Interest of the Members may appoint officers at any time. The officers of the Company shall include a President and such other officers as a Managing Interest deems necessary and appropriate. The officers shall serve at the pleasure of Members, subject to (a) all rights, if any, of an officer under an employment contract, and (b) the right of a Majority Interest to remove any officer. A Managing Interest may determine a reasonable compensation to be paid to each officer so appointed. Any individual may hold any number of offices. The officers shall exercise such powers and perform such duties as specified in this Agreement and as shall be determined from time to time by a Managing Interest.

5.8 President. All decisions as to the day to day operations of the Company shall be made by the President. The President shall execute an Employment Agreement acceptable to the President and a Managing Interest of the Members. The President shall not, without the approval of a Managing Interest of the Members (or a Majority Interest or more of the Members if such power is retained by the Members pursuant to this Agreement):

(i) Confess a judgment against the Company;

(ii) Admit any person as a Member;

(iii) Declare Bankruptcy on behalf of the Company;

(iv) Enter into any lease of real or personal property;

(v) Enter into any loan transaction or incur any indebtedness of the Company in excess of $25,000;

(vi) Execute any franchise agreement;

(vii) Purchase any real property; or

(viii) Undertake any such other matter(s) as may be agreed upon by a Managing Interest of the Members.

Article VI. ALLOCATIONS OF NET PROFITS AND NET LOSSES AND DISTRIBUTIONS

6.1 Allocations of Net Profit and Net Loss

A. Net Loss. Subject to **Sections 3.1**, **3.7** and **6.5E**, Net Loss shall be allocated first to Outback in an amount equal to Outback's positive Capital Account balance, and then to the Members in proportion to their Percentage Interests. Notwithstanding the previous sentence, loss allocations to a Member shall be made only to the extent that such loss allocations will not create a deficit Capital Account balance for that Member in excess of an amount, if any, equal to such Member's share of Company Minimum Gain. Any loss not allocated to a Member because of the foregoing provision shall be allocated to the other Members (to the extent the other Members are not limited in respect of the allocation of losses under this **Section 6.1A**). Any loss reallocated under this **Section 6.1A** shall be taken into account in computing subsequent allocations of income and losses pursuant to this **Article VI**, so that the net amount of any item so allocated and the income and losses allocated to each Member pursuant to this **Article VI**, to the extent possible, shall be equal to the net amount that would have been allocated to each such Member pursuant to this **Article VI** if no reallocation of losses had occurred under this **Section 6.1A**.

B. Net Profit. Subject to **Sections 3.1, 3.7** and **6.5E**, Net Profit shall be allocated to the Members in proportion to their Percentage Interests.

6.2 Special Allocations. Notwithstanding **Section 6.1**:

A. Minimum Gain Chargeback. If there is a net decrease in Company Minimum Gain during any Fiscal Year, each Member shall be specially allocated items of Company income and gain for such Fiscal Year (and, if necessary, in subsequent fiscal years) in an amount equal to the portion of such Member's share of the net decrease in Company Minimum Gain that is allocable to the disposition of Company property subject to a

Nonrecourse Liability, which share of such net decrease shall be determined in accordance with Regulations Section 1.704-2(g)(2). Allocations pursuant to this **Section 6.2A** shall be made in proportion to the amounts required to be allocated to each Member under this **Section 6.2A.** The items to be so allocated shall be determined in accordance with Regulations Section 1.704-2(f). This **Section 6.2A** is intended to comply with the minimum gain chargeback requirement contained in Regulations Section 1.704-2(f) and shall be interpreted consistently therewith.

B. Chargeback of Minimum Gain Attributable to Member Nonrecourse Debt. If there is a net decrease in Company Minimum Gain attributable to a Member Nonrecourse Debt, during any Fiscal Year, each Member who has a share of the Company Minimum Gain attributable to such Member Nonrecourse Debt (which share shall be determined in accordance with Regulations Section 1.704-2(i)(5)) shall be specially allocated items of Company income and gain for such Fiscal Year (and, if necessary, in subsequent Fiscal Years) in an amount equal to that portion of such Member's share of the net decrease in Company Minimum Gain attributable to such Member Nonrecourse Debt that is allocable to the disposition of Company property subject to such Member Nonrecourse Debt (which share of such net decrease shall be determined in accordance with Regulations Section 1.704-2(i)(5)). Allocations pursuant to this **Section 6.2B** shall be made in proportion to the amounts required to be allocated to each Member under this **Section 6.2B**. The items to be so allocated shall be determined in accordance with Regulations Section 1.704-2(i)(4). This **Section 6.2B** is intended to comply with the minimum gain chargeback requirement contained in Regulations Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

C. Nonrecourse Deductions. Any nonrecourse deductions (as defined in Regulations Section 1.704-2(b)(1)) for any Fiscal Year or other period shall be specially allocated to the Members in proportion to their Percentage Interests.

D. Member Nonrecourse Deductions. Those items of Company loss, deduction, or Code Section 705(a)(2)(B) expenditures which are attributable to Member Nonrecourse Debt for any Fiscal Year or other period shall be specially allocated to the Member who bears the economic risk of loss with respect to the Member Nonrecourse Debt to which such items are attributable in accordance with Regulations Section 1.704-2(i).

E. Qualified Income Offset. If a Member unexpectedly receives any adjustments, allocations, or distributions described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), or any other event creates a deficit balance in such Member's Capital Account in excess of such Member's share of Company Minimum Gain, items of Company income and gain shall be specially allocated to such Member in an amount and manner sufficient to eliminate such excess deficit balance as quickly as possible. Any special allocations of items of income and gain pursuant to this **Section 6.2E** shall be taken into account in computing subsequent allocations of income and gain pursuant to this **Article VI** so that the net amount of any item so allocated and the income, gain, and losses allocated to each Member pursuant to this **Article VI** to the extent possible, shall be equal to the net amount that would have been allocated to each such Member pursuant to the provisions of this **Article VI** if such unexpected adjustments, allocations, or distributions had not occurred.

6.3 Code Section 704(c) Allocations. Notwithstanding any other provision in this **Article VI**, in accordance with Code Section 704(c) and the Regulations promulgated thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its fair market value on the date of contribution. Allocations pursuant to this **Section 6.3** are solely for purposes of federal, state and local taxes. As such, they shall not affect or in any way be taken into account in computing a Member's Capital Account or share of profits, losses, or other items of distributions pursuant to any provision of this Agreement.

6.4 Allocation of Net Profits and Losses and Distributions in Respect of a Transferred Interest. If any Economic Interest is transferred, or is increased or decreased by reason of the admission of a new Member or otherwise, during any Fiscal Year of the Company, Net Profit or Net Loss for such Fiscal Year shall be assigned pro rata to each day in the particular period of such Fiscal Year to which such item is attributable (i.e., the day on or during which it is accrued or otherwise incurred) and the amount of each such item so assigned to any such day shall be allocated to the Member or Assignee based upon its respective Economic Interest at the close of such day.

However, for the purpose of accounting convenience and simplicity, the Company shall treat a transfer of, or an increase or decrease in, an Economic Interest which occurs at any time during a semi-monthly period (commencing with the semi-monthly period including the date hereof) as having been consummated on the last day of such semi-monthly period, regardless of when during such semi-monthly period such transfer, increase, of decrease actually occurs (i.e., sales and dispositions made during the first fifteen (15) days of any month will be deemed to have been made on the 15th day of the month).

Notwithstanding any provision above to the contrary, gain or loss of the Company realized in connection with a sale or other disposition of any of the assets of the Company shall be allocated solely to the parties owning Economic Interests as of the date such sale or other disposition occurs.

6.5 Distributions of Distributable Cash by the Company.

A. Subject to applicable law and any limitations contained in this Agreement, all Distributable Cash of the Company shall be retained by the Company and used for development of new Restaurants, except that the Company shall, if Distributable Cash is available, distribute to each Member cash in an amount equal to thirty-five percent (35%) of the Net Profits, if any, allocated to such Member. A Managing Interest of the Members shall make the distributions specified in this section, not less than once each calendar quarter based on estimated year to date Net Profits. Distributions for the last calendar quarter of the Fiscal Year shall be adjusted to reflect any under or over estimating of year to date Net Profits during prior calendar quarters.

B. Removed and Reserved.

C. Subject to **Sections 3.1**, **3.7** and **6.5E** and **Article X**, all other distributions to Members shall be made in accordance with their Percentage Interests.

D. All distributions shall be made only to the Persons who, according to the books and records of the Company, are the holders of record of the Economic Interests in respect of which such distributions are made on the actual date of distribution. Subject to **Section 6.8,** neither the Company nor any Member shall incur any liability for making distributions in accordance with this **Section 6.5.**

E. FPSH LP shall not: (i) have any ownership or other interest in, (ii) be allocated any profit or loss from, (iii) receive any distributions from; or (iv) be responsible for any obligations with respect to, the following Restaurants: 5406 Austin II, 5407 Houston-Town & Country, and 2007 Orlando/Sandlake.

6.6 Form of Distribution. Except as provided in **Section 8.2** and **Section 10.4,** a Member, regardless of the nature of the Member's Capital Contribution, has no right to demand and receive any distribution from the Company in any form other than cash. Except as provided in **Section 10.4**, no Member may be compelled to accept from the Company a distribution of any asset in kind in lieu of a proportionate distribution of money being made to other Members and no Member may be compelled to accept a distribution of any asset in kind.

6.7 Restriction on Distributions. No distribution shall be made if, after giving effect to the distribution, all liabilities of the Company, other than liabilities to Members on account of their Membership Interests and liabilities for which the recourse of creditors is limited to specified property of the Company, exceed the fair value of the assets of the Company, except that the fair value of property that is subject to a liability for which the recourse of creditors is limited shall be included in the assets of the Company only to the extent that the fair value of that property exceeds that liability.

6.8 Return of Distributions. A Member who receives a distribution in violation of **Section 6.7,** and who knew at the time of the distribution that the distribution violated **Section 6.7**, shall be liable to the Company for the amount of the distribution. A Member who receives a distribution in violation of **Section 6.7**, and who did not know at the time of the distribution that the distribution violated **Section 6.7**, shall not be liable for the amount of the distribution. A Member who receives a distribution shall have no liability for the amount of the distribution after the expiration of three (3) years from the date of the distribution unless an action to recover the distribution from such Member is commenced prior to the expiration of said three (3)-year period and an adjudication of liability against such Member is made in the said action.

6.9 Obligations of Members to Report Allocations. The Members are aware of the income tax consequences of the allocations made by this **Article VI** and hereby agree to be bound by the provisions of this **Article VI** in reporting their shares of Company income and loss for income tax purposes.

Article VII. TRANSFER AND ASSIGNMENT OF INTERESTS

7.1 Transfer and Assignment of Interests.

A. General Restriction. Except as otherwise provided in this **Article VII**, a Member shall not be entitled to transfer, assign, convey, sell, encumber or in any way alienate all or any part of its Membership Interest (collectively, "transfer") except with the prior written consent of all Members, which consent may be given or withheld, conditioned or delayed, as the Members may determine in their sole and absolute discretion. Without limiting the generality of the foregoing, the sale or exchange of at least fifty percent (50%) of the voting stock of a Member, if a Member is a corporation, or the transfer of an interest or interests of at least fifty percent (50%) in the capital or profits of a Member (whether accomplished by the sale or exchange of interests or by the admission of new partners or members), if a Member is a partnership or limited liability company, or the cumulative transfer of such interests in a Member which effectively equal the foregoing (including transfer of interests followed by the incorporation of a Member and subsequent stock transfers, or transfers of stock followed by the liquidation of a Member and subsequent transfers of interests) will be deemed to constitute an assignment of a Membership Interest subject to this **Article VII;** provided that transfers among the Fleming's Principals shall be exempt from these requirements. After the consummation of any transfer of any part of a Membership Interest, the Membership Interest so transferred shall continue to be subject to the terms and provisions of this Agreement and any further transfers shall be required to comply with all the terms and provisions of this Agreement.

B. Improper Transfers. Transfers in violation of this **Article VII** shall only be effective to the extent set forth in **Section 7.8**.

7.2 Further Restrictions on the Fleming's Principals**.** Fleming's and the Fleming's Principals acknowledge and agree that Outback has entered into this Agreement in reliance on the personal skill and character of the Fleming's Principals.

A. AWA INC and A. William Allen, III hereby represent and warrant to Outback that A. William Allen, III (together with his wife or through a trust controlled by them) is the sole shareholders and sole director of AWA INC. The ownership of all of the capital stock of AWA INC by A. William Allen, III is a material inducement to Outback entering into this Agreement. Except as provided in **Section 7.4**, A. William Allen, III hereby covenants and agrees that he shall not, in any manner, transfer, alienate or encumber any of the capital stock, or other voting or ownership interest, in AWA INC without the prior written consent of Outback, which consent may be granted or denied in Outback's sole discretion. Further, AWA INC and A. William Allen, III hereby covenant and agree that they shall not in any manner allow any action to be taken that would result in A. William Allen, III, individually, having insufficient voting power to control all matters submitted to a vote of AWA INC's shareholders.

B. FPSH LP, PKCR, LLC ("PKCR") and Paul M. Fleming hereby represent and warrant to Outback that trusts established for the benefit of Paul M. Fleming, his family members, and entities under his control are the sole members of PKCR, and PKCR is the sole general partner of FPSH LP. The ownership of all of the general partnership interests of FPSH LP by PKCR and ownership of all of the membership interests in PKCR by trusts established for the benefit of Paul M. Fleming, his family members, and entities under his control are material inducements to Outback entering into this Agreement. Except as provided in **Section 7.4**, Paul M. Fleming hereby covenants and agrees that he shall not, in any manner, transfer, alienate or encumber any of the membership interests, or other voting or ownership interest, in PKCR without the prior written consent of Outback, which consent may be granted or denied in Outback's sole discretion, and PKCR hereby covenants and agrees that it shall not, in any manner, transfer, alienate or encumber any of its partnership or other ownership or voting interest in FPSH LP without the prior written consent of Outback, which consent may be granted or denied at Outback's sole discretion FPSH LP, PKCR and Paul M. Fleming covenant and agree that at all times Paul M. Fleming, individually, or in his capacity as trustee or controlling person, shall have the power to determine all matters submitted to a vote of FPSH LP's partners and PKCR's members.

7.3 Further Restrictions on Transfer of Interests. In addition to other restrictions found in this Agreement, no Member shall transfer all or any part of its Membership Interest:

A. Without compliance with all federal and state securities law, and

B. If the Membership Interest to be transferred, when added to the total of all other Membership Interests transferred in the preceding twelve (12) consecutive months prior thereto, would cause the tax termination of the Company under Code Section 708(b)(1)(B).

7.4 Permitted Transfers.

A. A Membership Interest may be transferred to any other Member, subject to compliance with **Section 7.2 and 7.3**, and without the prior written consent of the other Members as required by **Section 7.1**.

B. Subject to the restrictions of **Section 7.3**: Paul M. Fleming and PKCR may make bona fide gifts of interests in PKCR or FPSH LP to Paul M. Fleming's family members, or to one or more trusts for the benefit of his family members, for estate planning purposes provided that Paul M. Fleming retains at least a fifty-one percent

(51%) ownership and voting interest in PKCR and PKCR remains the sole general partner of FPSH LP; and A. William Allen, III may make bona fide gifts of interests in AWA INC to their family members, or to one or more trusts for the benefit of family members, for estate planning purposes provided that they collectively retain at least a fifty-one percent (51%) ownership and voting interest in AWA INC. In the event that Paul M. Fleming or PKCR transfers 100% of its ownership interest in FPSH (whether directly or indirectly) to one or more of Paul M. Fleming's family members or a trust for the benefit of one or more Paul M. Fleming's family members, with respect to which Paul M. Fleming is not a trustee or beneficiary, such transfer shall serve to revoke Paul M. Fleming's right to vote on matters requiring a Managing Interest of the Members of the Company; and AWA, INC shall thereafter have two (2) votes on each matter requiring the approval of a Managing Interest of the Members.

7.5 Effective Date of Permitted Transfers. Any permitted transfer of all or any portion of a Membership Interest or an Economic Interest shall be effective as of the date provided in **Section 6.4** following the date upon which the requirements of **Sections 7.1, 7.2** and **7.3** have been met. The Members shall be provided with written notice of such transfer as promptly as possible after the requirements of **Sections 7.1, 7.2** and **7.3** have been met. Any transferee of a Membership Interest shall take subject to the restrictions on transfer imposed by this Agreement.

7.6 Substitution of Members. An Assignee shall have the right to become a substitute Member only if (i) the requirements of **Sections 7.1, 7.2 and 7.3** hereof are met, (ii) the Assignee executes an instrument satisfactory to a Managing Interest of the Members accepting and adopting the terms and provisions of this Agreement, and (iii) the Assignee pays any reasonable expenses in connection with its admission as a new Member. The admission of an Assignee as a substitute Member shall not result in the release of the Member who assigned the Membership Interest from any liability that such Member may have to the Company.

7.7 Rights of Legal Representatives. If a Member who is an individual dies or is adjudged by a court of competent jurisdiction to be incompetent to manage the Member's person or property, the Member's executor, administrator, guardian, conservator, or other legal representative may exercise all of the Member's rights for the purpose of settling the Member's estate or administering the Member's property, including any power the Member has under the Certificate or this Agreement to give an Assignee the right to become a Member. If a Member is a corporation, trust, or other entity and is dissolved or terminated, the powers of that Member may be exercised by its legal representative or successor.

7.8 No Effect to Transfers in Violation of Agreement. Upon any transfer of a Membership Interest in violation of this **Article VII**, the remaining Members shall have the right to Purchase the transferred Membership Interest as provided in **Section 3.8F** of this Agreement. In the event such Membership Interest is not purchased by the remaining Members, such transferee shall only be entitled to become an Assignee and thereafter shall only receive the share of the Company's Net Profits, Net Losses and distributions of the Company's assets to which the transferor of such Economic Interest would otherwise be entitled. The transferee shall have no right to vote or participate in the management of the business, property and affairs of the Company or to exercise any rights of a Member. Notwithstanding the immediately preceding sentences, if, in the determination of a Managing Interest of the Members, a transfer in violation of this **Article VII** would cause the tax termination of the Company under Code Section 708(b)(1)(B), the transfer shall be null and void and the purported transferee shall not become either a Member or an Assignee.

Upon and contemporaneously with any transfer (whether arising out of an attempted charge upon that Member's Economic Interest by judicial process, a foreclosure by a creditor of the Member or otherwise) of a Member's Economic Interest which does not at the same time transfer the balance of the rights associated with the Membership Interest transferred by the Member (including, without limitation, the rights of the Member to vote or participate in the management of the business, property and affairs of the Company), the Company shall purchase from the Member, and the Member shall sell to Company for a purchase price of one hundred dollars ($100), all remaining rights and interests retained by the Member that immediately before the transfer were associated with the transferred Economic Interest. Such purchase and sale shall not, however, result in the release of the Member from any liability to the Company as a Member.

Each Member acknowledges and agrees that the right of the Company to purchase such rights and interests from a Member who transfers a Membership Interest in violation of this **Article VII** is not unreasonable under the circumstances existing as of the date hereof.

7.9 Rights of First Refusal.

A. Removed and Reserved.

B. Outback's Rights. At any time a Member other than Outback (or any shareholder of AWA INC or any partner of FPSH LP or member of PKCR) (each a "Transferor"), desires to transfer all or any part of his, hers, or its Membership Interest (or, in the case of a shareholder of AWA INC any capital stock or other voting or ownership interest in AWA INC, in the case of a partner of FPSH LP any partnership interests in FPSH LP, or in the case of a member of PKCR any membership interest in PKCR) to any person or entity, as permitted by this **Article VII**, the Transferor shall, prior to any such Transfer, give Outback a Notice of Transfer, which notice shall specify the Membership Interest to be transferred, the identity of the proposed transfer, and the Purchase Price. Any purported Notice of Transfer that does not comply with the requirements of this **Section 7.9B** shall be null and void and of no effect hereunder. Upon receipt of a proper Notice of Transfer, Outback shall thereupon have the right to acquire the Transferor's entire Membership Interest or such portion of the Transferor's Membership Interest as is specified in the Notice of Transfer, on terms identical to the Purchase Price or proportionately identical if Outback elects to purchase the entire Membership Interest of the Transferor. In the event the Purchase Price contains terms that Outback cannot reasonably duplicate, Outback shall have the right to substitute the reasonable cash equivalent thereof. This right of first refusal shall not apply to transfers made pursuant to **Section 7.4** or transfers among the Fleming's Principals.

C. Exercise of Rights.

(i) The purchasing Member(s) shall exercise the right of first refusal contained herein by mailing written notice thereof ("Notice of Election") to the Transferor within forty (40) days of mailing of the Notice of Transfer. In the event no purchasing Member(s) mail a Notice of Election to the Transferor within said 40-day period, the purchase option contained herein shall lapse (except as otherwise provided in **Section 7.10**). In the event a Member timely exercises the purchase option contained herein, such Member shall mail written notice to the Transferor of whether the Member has elected to purchase the entire Membership Interest of the Transferor or such portion as was specified in the Notice of Transfer, if less; such notice to be mailed within ten (10) days of the mailing of the Notice of Election.

(ii) The closing for any purchase hereunder shall be consummated and closed in the Company's principal office on a date and at a time designated by the purchasing Member in a notice to the Transferor, provided such consummation and closing date shall occur within ninety-five (95) days from the date of mailing of the Notice of Election. At such closing, the Transferor shall execute and deliver all documents and instruments as are necessary and appropriate, in the opinion of counsel for the Company, to effectuate the transfer of the Transferor's Membership Interest in accordance with the terms of the Notice of Transfer and the purchasing Member shall deliver the Purchase Price.

7.10 Transfer Permitted After Failure to Elect**.** Subject to **Section 7.1, 7.2 and 7.3**, in the event a Member does not elect pursuant to **Section 7.9** to exercise the purchase option specified therein, or in the event the closing for any purchase pursuant to **Section 7.9** does not occur within the time limits specified therein, then the Transferor shall be free to transfer the exact portion of his, her, or its Membership Interest as was specified in the Notice of Transfer to the person or entity identified in the Notice of Transfer in exchange for the exact Purchase Price as was specified in the Notice of Transfer; ***provided, however,*** that the closing and consummation of such transfer shall occur within one hundred thirty (130) days after the date of mailing of the Notice of Transfer and provided further that such transfer must comply with all other requirements of this **Article VII**. In the event such transfer is not so closed and consummated within such period, the purchase option granted in **Section 7.9** shall again be exercisable and the Transferor shall make no Transfer of any portion of his Membership Interest, or any right, title or interest therein, until such Transferor has again complied with all terms and provisions of this **Article VII**. In the event a Member does not elect pursuant to **Section 7.9** to exercise the purchase option contained therein and the Transferor makes a permitted Transfer in compliance with the terms and provisions of this **Article VII**, then the person or entity to whom such Membership Interest is transferred shall nevertheless acquire such Membership Interest subject to the restriction imposed on such Membership Interest under this **Article VII** as to further transfers of such Membership Interest, and provided further that any such transferee shall agree in writing to be bound by all terms and provisions of this Agreement.

Article VIII. [REMOVED AND RESERVED]

Article IX. ACCOUNTING, RECORDS, REPORTING BY MEMBERS

9.1 Books and Records. The books and records of the Company shall be kept, and the financial position and the results of its operations recorded, in accordance with the accounting methods followed for federal income tax purposes. The books and records of the Company shall reflect all the Company transactions and shall be appropriate and adequate for the Company's business. The Company shall maintain at its principal office all of the following:

A. A current list of the full name and last known business or residence address of each Member and Assignee set forth in alphabetical order, together with the Capital Contributions, Capital Account and Percentage Interest of each Member and Assignee;

B. [Removed and Reserved];

C. A copy of the Certificate and any and all amendments thereto together with executed copies of any powers of attorney pursuant to which the Certificate or any amendments thereto have been executed;

D. Copies of the Company's federal, state, and local income tax or information returns and reports, if any, for the six (6) most recent taxable years;

E. A copy of this Agreement and any and all amendments thereto together with executed copies of any powers of attorney pursuant to which this Agreement or any amendments thereto have been executed;

F. Copies of the financial statements of the Company, if any, for the six (6) most recent Fiscal Years; and

G. The Company's books and records as they relate to the internal affairs of the Company for at least the current and past four (4) Fiscal Years.

9.2 Delivery to Members and Inspection.

A. Upon the request of any Member or Assignee, President shall promptly deliver to the requesting Member or Assignee, at the expense of the Company, a copy of the information required to be maintained under **Section 9.1**.

B. Each Member and Assignee has the right, upon reasonable request for purposes reasonably related to the interest of the Person as Member or Assignee, to:

(i) inspect and copy during normal business hours any of the Company records described in **Section 9.1**;

(ii) obtain from the Company, promptly after their becoming available, a copy of the Company's federal, state, and local income tax or information returns for each Fiscal Year; and

(iii) receive a monthly income statement of the Company and a balance sheet of the Company as of the end of that period. The statement and balance sheet shall be delivered or mailed to the Members within twenty (20) days after the end of each such period.

C. Any request, inspection or copying by a Member or Assignee under this **Section 9.2** may be made by that Person or that Person's agent or attorney.

9.3 Annual Statements.

A. A Managing Interest of the Members of the Company shall cause an annual report to be sent to each of the Members not later than ninety (90) days after the close of the Fiscal Year. The report shall contain a balance sheet as of the end of the Fiscal Year and an income statement and statement of changes in financial position for the Fiscal Year. Such financial statements shall be accompanied by the report thereon, if any, of the independent accountants engaged by the Company or, if there is no report, the certificate of the officers of the Company that the financial statements were prepared without audit from the books and records of the Company.

B. A Managing Interest of the Members of the Company shall cause to be prepared at least annually, at Company expense, information necessary for the preparation of the Members' and Assignees' federal and state income tax returns. A Managing Interest of the Members of the Company shall send or cause to be sent to each Member or Assignee within sixty (60) days after the end of each taxable year such information as is necessary to complete federal and state income tax or information returns, and a copy of the Company's federal, state, and local income tax or information returns for that year.

C. The failure by any Member to participate in the preparation of the reports or statements described in subsection 9.3A or 9.3B shall not constitute a default of such Member’s obligations under this Agreement if such Member consents to the preparation of such reports or statements on its behalf by the other Members.

9.4 Financial and Other Information. The officers of the Company shall provide such financial and other information relating to the Company or any other Person in which the Company owns, directly or indirectly, an equity interest, as a Member may request.

9.5 Filings. The officers of the Company, at Company expense, shall cause the income tax returns for the Company to be prepared and timely filed with the appropriate authorities. The officers of the Company, at Company expense, shall also cause to be prepared and timely filed, with appropriate federal and state regulatory and administrative bodies, amendments to, or restatements of, the Certificate and all reports required to be filed by the Company with those entities under the Act or other then current applicable laws, rules, and regulations. If a Member is required by the Act to execute or file any document fails, after demand, to do so within a reasonable period of time or refuses to do so, any other Member may prepare, execute and file that document.

9.6 Bank Accounts. The Members shall maintain the funds of the Company in one or more separate bank accounts in the name of the Company, and shall not permit the funds of the Company to be commingled in any fashion with the funds of any other Person.

9.7 Accounting Decisions and Reliance on Others. All decisions as to accounting matters, except as otherwise specifically set forth herein, shall be made by a Managing Interest of the Members. The Members may rely upon the advice of the Company’s accountants as to whether such decisions are in accordance with accounting methods followed for federal income tax purposes.

9.8 Tax Matters for the Company Handled by the Tax Matters Partner. The Tax Matters Partner, with the prior approval of a Managing Interest of the Members, shall from time to time cause the Company to make such tax elections it deems to be in the best interests of the Company and the Members. The Tax Matters Partner shall represent the Company (at the Company's expense) in connection with all examinations of the Company's affairs by tax authorities, including resulting judicial and administrative proceedings, and shall expend the Company funds for professional services and costs associated therewith. The Tax Matters Partner shall oversee the Company tax affairs in the overall best interests of the Company but shall not have the right to agree to extend any statute of limitations without the approval of a Majority Interest. If for any reason the Tax Matters Partner can no longer serve in that capacity or ceases to be a Member, as the case may be, a Majority Interest may designate another Member to be Tax Matters Partner.

Article X. DISSOLUTION AND WINDING UP

10.1 Dissolution. The Company shall be dissolved, its assets shall be disposed of, and its affairs wound up on the first to occur of the following:

A. The agreement of a Managing Interest of the Members to terminate the Company;

B. The entry of a decree of judicial dissolution;

C. The vote of non-defaulting Members holding a majority of the Percentage Interests held by all non-defaulting Members pursuant to **Section 3.8C**;

D. The sale of all or substantially all of the assets of Company.

Except for the foregoing, the Company shall not dissolve on the occurrence of any other event.

10.2 Winding Up. Upon the occurrence of any event specified in **Section 10.1**, the Company shall continue solely for the purpose of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors. The Members shall be responsible for overseeing the winding up and liquidation of Company, shall take full account of the liabilities of Company and assets, shall, subject to **Section 10.4,** either cause its assets to be sold or distributed, and if sold as promptly as is consistent with obtaining the fair market value thereof, shall cause the proceeds therefrom, to the extent sufficient therefor, to be applied and distributed as provided in **Section 10.4**. The Persons winding up the affairs of the Company shall give written notice of the commencement of winding up by mail to all known creditors and claimants whose addresses appear on the records of the Company. The Members winding up the affairs of the Company shall not be entitled to compensation for such services.

10.3 Distributions in Kind. Except for a distribution of the System to Fleming's pursuant to **Section 10.4** any non-cash asset distributed to one or more Members shall first be valued at its fair market value to determine the Net Profit or Net Loss that would have resulted if such asset were sold for such value, such Net Profit or Net Loss shall then be allocated pursuant to **Article VI**, and the Members' Capital Accounts shall be adjusted to reflect such allocations. The amount distributed and charged to the Capital Account of each Member receiving an interest in such distributed asset shall be the fair market value of such interest (net of any liability secured by such asset that such Member assumes or takes subject to). The fair market value of such asset shall be determined by a Managing Interest or by the Members, or if any Member objects to such valuation, by an independent appraiser (any such appraiser must be recognized as an expert in valuing the type of asset involved) selected by a Managing Interest or selected by the liquidating trustee, if applicable, and approved by the Members.

10.4 Order of Payment Upon Dissolution. After determining that all known debts and liabilities of the Company, including, without limitation, debts and liabilities to Members who are creditors of the Company, have been paid or adequately provided for, the remaining assets shall be distributed as follows:

A. Upon dissolution of the Company (other than in connection with a sale of all or substantially all of the Company's assets to a third party and other than in connection with a termination resulting from one Member's purchase of all or part of the other Member's Membership Interest) the System shall be distributed to Fleming's, as valued at its deemed contribution value, and all other assets of the Company shall be liquidated. All other proceeds from liquidation of the Company assets shall be distributed (i) to Outback until Outback shall have received an amount equal to Outback's Capital Contributions, and (ii) thereafter to the Members in accordance with their positive Capital Account balances after giving effect to the allocation of Net Profit or Net Loss resulting from such liquidation. Such liquidating distributions shall be made by the end of the Company's taxable year in which the Company is liquidated, or, if later, within ninety (90) days after the date of such liquidation.

B. Upon dissolution of the Company in connection with a sale of all or substantially all of the Company's assets to a third party all proceeds from liquidation of the Company's assets shall be distributed to the Members in accordance with their positive Capital Account balances after giving effect to the allocation of Net Profit or Net Loss resulting from such liquidation, it being the intent of the Members that distributions shall be the same as if distributed pursuant to Percentage Interests. Such liquidating distributions shall be made by the end of the Company's taxable year in which the Company is liquidated, or, if later, within ninety (90) days after the date of such liquidation.

10.5 Limitations on Payments Made in Dissolution. Each Member shall only be entitled to look solely at the assets of the Company for the return of its Capital Contributions and positive Capital Account balance and shall have no recourse for its Capital Contribution, positive Capital Account balance and/or share of Net Profits (upon dissolution or otherwise) against any other Member.

Article XI. INDEMNIFICATION AND INSURANCE

11.1 Indemnification of Agents. The Company shall defend and indemnify any Member and may indemnify any other Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that it is or was a Member, officer, employee or other agent of the Company or that, being or having been such a Member, officer, employee or agent, it is or was serving at the request of the Company as a manager, member, director, officer, employee or other agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise (all such persons being referred to hereinafter as an "agent"), to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit. A Managing Interest of the Members shall be authorized, on behalf of the Company, to enter into indemnity agreements from time to time with any Person entitled to be indemnified by the Company hereunder, upon such terms and conditions as a Managing Interest of the Members deems appropriate in its business judgment.

11.2 Insurance. The Company shall have the power to purchase and maintain insurance on behalf of any Person who is or was an agent of the Company against any liability asserted against such Person and incurred by such Person in any such capacity, or arising out of such Person's status as an agent, whether or not the Company would have the power to indemnify such Person against such liability under the provisions of **Section 11.1** or under applicable law.

Article XII. CONFIDENTIALITY AND NON-COMPETITION

12.1 Noncompetition.

A. Subject to **Subsection C** below, so long as FPSH LP and AWA INC are Members and with respect to each of them for three (3) years thereafter, they, the Fleming's Principals (and their respective Affiliates) shall not, individually or jointly with others, directly or indirectly, whether for their own account or for that of any other Person, operate, engage in, own or hold any ownership interest in, have any interest in or lend any assistance to any steakhouse restaurant, or Person or entity engaged in a business owning, operating or controlling steakhouse restaurants, other than the Company's Restaurants, and shall not act as an officer, director, employee, partner, independent contractor, consultant, principal, agent, or in any other capacity for, nor lend any assistance (financial or otherwise) or cooperation to any such steakhouse restaurant or Person or entity. The restriction contained herein shall be deemed to apply to A. William Allen, III for so long as AWA INC is a Member and for three (3) years thereafter and to Paul M. Fleming for so long as FPSH LP is a Member and for three (3) years thereafter. For the purposes of this **Section 12.1**, the term "steakhouse restaurant" shall mean any restaurant for which: (i) the word "steak" or any variation thereof is in its name; or (ii) the sale of steak or prime rib is specified in its advertising or marketing efforts; or (iii) the sale of steak and prime rib constitutes thirty five percent (35%) or more of its entrée sales, computed on a dollar basis.

B. Subject to **Subsection D** below, so long as Outback is a Member, and for a period of one (1) year thereafter, Outback (and its Affiliates) shall not, individually or jointly with others, directly or indirectly, whether for its own account or for that of any other Person, operate, engage in, own or hold any ownership interest in, have any interest in or lend any assistance to: any steakhouse restaurant having a per person check average between $40.00 and $55.00, or Person or entity engaged in a business owning, operating or controlling steakhouse restaurants, having a per person check average between $40.00 and $55.00, other than the Company's Restaurants, franchisees of the Company, and the Restaurants currently owned or under development by Outback.

C. None of the restrictions in this **Section 12.1** shall be interpreted to apply to Paul M. Fleming's ownership interest in any Z' Tejas, Paul Martin's Bistro or Roaring Fork restaurants as those restaurants are currently operated.

12.2 Confidentiality.

A. Definition. For the purpose of this Agreement, "Proprietary Information" shall include all information designated by any Member, either orally or in writing, as confidential or proprietary, or which reasonably would be considered proprietary or confidential to the business contemplated by this Agreement, including but not limited to suppliers, customers, trade or industrial practices, marketing and technical plans, technology, personnel, organization or internal affairs, plans for products and ideas, recipes, menus, wine lists and proprietary techniques and other trade secrets. Notwithstanding the foregoing, "Proprietary Information" shall not include information which (i) has entered the public domain or became known other than due to a breach of any obligation of confidentiality owed to the owner of such information; (ii) was known prior to the disclosure of such information; (iii) became known to the recipient from a source other than a Member or its Affiliate, provided there was no breach of an obligation of confidentiality owed to said Member or its Affiliate; or (iv) was independently developed by the party receiving such information.

B. No Disclosure, Use, or Circumvention. No Member or its Affiliates shall disclose any Proprietary Information to any third parties (other than existing or permitted franchisees) and will not use any Proprietary Information in that Member's or Affiliate's business or any affiliated business without the prior written consent of the other Member, and then only to the extent specified in that consent. Consent may be granted or withheld at the sole discretion of any Member. No Member shall contact any suppliers, customers, employees, affiliates or associates to circumvent the purposes of this provision.

C. Maintenance of Confidentiality. Each Member shall take all steps reasonably necessary or appropriate to maintain the strict confidentiality of the Proprietary Information and to assure compliance with this Agreement.

12.3 Non Solicitation. During the term of this Agreement and, with respect to each Member, for a period two (2) years following the earlier of (A) the date that the Member transfers all of its Membership Interest in the Company or (B) the dissolution of the Company pursuant to **Article X**, the Member shall not offer employment to any employee of the Company or of a Member, or their Affiliates, or otherwise solicit or induce any employee of any of them to terminate their employment, nor shall any of the Fleming's Principals act as an officer, director, employee, partner, independent contractor, consultant, principal, agent, proprietor, owner or part owner, or in any other capacity, for any person or entity which solicits or otherwise induces any employee of the Company or of a Member, or their Affiliates, to terminate their employment with such entity.

12.4 Reasonableness of Restrictions; Reformation; Enforcement. The parties hereto recognize and acknowledge that the geographical and time limitations contained in **Section 12.1, 12.2 and 12.3** hereof are reasonable and properly required for the adequate protection of the Company's and Members' interests. It is agreed by the parties hereto that if any portion of the restrictions contained in **Section 12.1, 12.2 or 12.3** are held to be unreasonable, arbitrary, or against public policy, then the restrictions shall be considered divisible, both as to the time and to the geographical area, with each month of the specified period being deemed a separate period of time and each radius mile or other portion of the restricted territory being deemed a separate geographical area, so that the longest period of time and largest geographical area shall remain effective so long as the same is not unreasonable, arbitrary, or against public policy. The parties hereto agree that in the event any court of competent jurisdiction determines the specified period or the specified geographical area of the restricted territory to be unreasonable, arbitrary, or against public policy, a lesser time period or geographical area which is the longest period of time and largest geographical area determined to be reasonable, nonarbitrary, and not against public policy may be enforced. If any of the covenants contained herein are violated and if any court action is instituted by the Company or a Member to prevent or enjoin such violation, then the period of time during which the business activities shall be restricted, as provided in this Agreement, shall be lengthened by a period of time equal to the period between the date of the breach of the terms or covenants contained in this Agreement and the date on which the decree of the court disposing of the issues upon the merits shall become final and not subject to further appeal.

In the event it is necessary for the Company or a Member to initiate legal proceedings to enforce, interpret or construe any of the covenants contained in **Section 12.1, 12.2 or 12.3** hereof, the prevailing party in such proceedings shall be entitled to receive from the non-prevailing party, in addition to all other remedies, all costs, including reasonable attorneys' fees, of such proceedings including appellate proceedings.

12.5 Specific Performance. The parties agree that a breach of any of the covenants contained **Section 12.1, 12.2 and 12.3** hereof will cause irreparable injury to the Company or a Member for which the remedy at law will be inadequate and would be difficult to ascertain and therefore, in the event of the breach or threatened breach of any such covenants, the Company or injured Member shall be entitled, in addition to any other rights and remedies it may have at law or in equity, to obtain an injunction to restrain any threatened or actual activities in violation of any such covenants. The parties hereby consent and agree that temporary and permanent injunctive relief may be granted in any proceedings which might be brought to enforce any such covenants without the necessity of proof of actual damages, and in the event the Company or Member does apply for such an injunction, that the Company or Member has an adequate remedy at law shall not be raised as a defense.

Article XIII. REPRESENTATIONS AND WARRANTIES

Each Member warrants and represents to the other Members (each of which warranties and representations shall be deemed to be a continuing warranty and representation and covenant that such warranties and representations shall remain true and correct at all times during the term of the Company) that:

13.1 Status. If an entity, such Member is duly organized, validly existing and in good standing under the laws of its state of formation, and each has the power under its organizational documents and adequate authority to execute, deliver, and perform this Agreement which upon such execution and delivery will be a legal, valid, and binding obligation of such party enforceable in accordance with its terms (subject only to the application of bankruptcy, reorganization, insolvency or other similar laws regarding the rights of creditors generally and the exercise of judicial discretion in equity).

13.2 Due Authorization. The execution, delivery and performance of this Agreement by a Member who is an entity have been duly authorized by all requisite corporate, partnership or other organizational action of such party and, as of the date hereof, do not require the consent or approval of any person that has not been obtained and are not in contravention of or in conflict with any term or provision of the organizational documents of such party.

13.3 Other Agreements and Violations of Law. The execution, delivery and performance of this Agreement by such Member will not breach or constitute a default under any agreement, indenture, undertaking or other instrument to which such party or any affiliate of such party is a party or by which any of such persons or any of their respective properties may be bound or affected, which breach or default would have a materially adverse effect on the financial condition of such Member or on the financial condition, properties or operations of the Company. Other than as contemplated by this Agreement such execution, delivery, and performance will not result in the creation or imposition of (or the obligation to create or impose) any lien or encumbrance on any of the Company property nor, to the knowledge of such party, constitute or result in the violation of any law.

13.4 No Litigation. There is no litigation or administrative or other proceeding or tax audit pending, or, to the knowledge of such Member, threatened against or affecting such Member, or any of its affiliates, or any of their respective properties, which, if determined adversely, would have a materially adverse effect on the financial condition, properties or operations of the Company. As of the date hereof, neither such Member, nor, to the knowledge of such Member, any affiliate of such Member is in default with respect to any order, writ, injunction, decree or demand of any court of other governmental or regulatory authority which might in any way adversely affect the Company.

Article XIV. MISCELLANEOUS

14.1 Complete Agreement. This Agreement and the Certificate constitute the complete and exclusive statement of agreement among the Members with respect to the subject matter herein and therein and replace and supersede all prior written and oral agreements or statements by and among the Members or any of them. No representation, statement, condition or warranty not contained in this Agreement or the Certificate will be binding on the Members or have any force or effect whatsoever. To the extent that any provision of the Certificate conflicts with any provision of this Agreement, the Certificate shall control.

14.2 Consultation with Attorney. Each Member has been advised to consult with its own attorney regarding all legal matters concerning an investment in the Company and the tax consequences of participating in the Company, and has done so, to the extent it considers necessary.

14.3 Tax Consequences. Each Member acknowledges that the tax consequences to it of investing in the Company will depend on its particular circumstances, and neither the Company, the Members, nor the partners, shareholders, members, agents, officers, directors, employees, Affiliates, or consultants of any of them will be responsible or liable for the tax consequences to him or her of an investment in the Company. It will look solely to, and rely upon, its own advisers with respect to the tax consequences of this investment.

14.4 No Assurance of Tax Benefits. Each Member acknowledges that there can be no assurance that the Code or the Regulations will not be amended or interpreted in the future in such a manner so as to deprive the Company and the Members of some or all of the tax benefits they might now receive, nor that some of the deductions claimed by the Company or the allocations of items of income, gain, loss, deduction, or credit among the Members may not be challenged by the Internal Revenue Service.

14.5 Binding Effect. Subject to the provisions of this Agreement relating to transferability, this Agreement will be binding upon and inure to the benefit of the Members, and their respective successors and assigns.

14.6 Parties in Interest. Except as expressly provided in the Act, nothing in this Agreement shall confer any rights or remedies under or by reason of this Agreement on any Persons other than the Members and their respective successors and assigns nor shall anything in this Agreement relieve or discharge the obligation or liability of any third person to any party to this Agreement, nor shall any provision give any third person any right of subrogation or action over or against any party to this Agreement.

14.7 Pronouns; Statutory References. All pronouns and all variations thereof shall be deemed to refer to the masculine, feminine, or neuter, singular or plural, as the context in which they are used may require. Any reference to the Code, the Regulations, the Act or other statutes or laws will include all amendments, modifications, or replacements of the specific sections and provisions concerned.

14.8 Headings. All headings herein are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement.

14.9 Interpretation. In the event any claim is made by any Member relating to any conflict, omission or ambiguity in this Agreement, no presumption or burden of proof or persuasion shall be implied by virtue of the fact that this Agreement was prepared by or at the request of a particular Member or its counsel.

14.10 References to this Agreement. Numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement unless otherwise expressly stated.

14.11 Jurisdiction. Each Member hereby consents to the exclusive jurisdiction of the state and federal courts sitting in Delaware in any action on a claim arising out of, under or in connection with this Agreement or the transactions contemplated by this Agreement. Each Member further agrees that personal jurisdiction over him or her may be effected by service of process by registered or certified mail addressed as provided in **Section 14.14** of this Agreement, and that when so made shall be as if served upon him or her personally within the Member's state of residence.

14.12 Exhibits All Exhibits attached to this Agreement are incorporated and shall be treated as if set forth herein.

14.13 Additional Documents and Acts. Each Member agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions, and conditions of this Agreement and the transactions contemplated hereby.

14.14 Notices.

A. All notices required or permitted shall be in writing and may be communicated in person or by mail. Notice shall be deemed to be delivered when deposited in the United States mail addressed to the respective Member at its mailing address as designated in the records of the Membership, with postage thereon prepaid, registered or certified mail, return receipt requested, or if personally delivered, when received. Notices to a dissolved or bankrupt Member shall be delivered in the same manner to the last known address of its registered agent or receiver, as the case may be.

B. While all notices, demands and requests shall be effective as provided in **Section 14.4A** above, the time period in which a response to any such notice, demand or request must be given shall commence to run from the date of receipt appearing on the return receipt or other evidence of delivery of the notice, and the time period in which a response to a demand or request must be given shall commence to run from the date of receipt on the return receipt or other evidence of delivery of the notice. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice, demand or request sent.

C. By giving to the other Members at least thirty (30) days' prior written notice thereof, each Member and its successors and assigns shall have the right from time to time and at any time during the term of this Agreement to change their addresses and each shall have the right to specify as its address any other address within the United States of America.

14.15 Amendments. All amendments to this Agreement will be in writing and signed by all of the Members.

14.16 Reliance on Authority of Person Signing Agreement If a Member is not a natural person, neither the Company nor any Member will: (A) be required to determine the authority of the individual signing this Agreement to make any commitment or undertaking on behalf of such entity or to determine any fact or circumstance bearing upon the existence of the authority of such individual, or (B) be responsible for the application or distribution of proceeds paid or credited to individuals signing this Agreement on behalf of such entity.

14.17 Company Property**.** All property contributed to the Company or acquired with Company funds shall be held and titled in the name of the Company and not individually by or for any Member.

14.18 Multiple Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

14.19 Attorney Fees. In the event that any dispute between the Company and the Members or among the Members should result in litigation or arbitration, the prevailing party in such dispute shall be entitled to recover from the other party all reasonable fees, costs and expenses of enforcing any right of the prevailing party, including without limitation, reasonable attorneys' fees and expenses, all of which shall be deemed to have accrued upon the commencement of such action and shall be paid whether or not such action is prosecuted to judgment. Any judgment or order entered in such action shall contain a specific provision providing for the recovery of attorney fees and costs incurred in enforcing such judgment and an award of prejudgment interest from the date of the breach at the maximum rate of interest allowed by law. For the purposes of this Section: (a) attorney fees shall include, without limitation, fees incurred in the following: (1) post judgment motions; (2) contempt proceedings; (3) garnishment, levy, and debtor and third party examinations; (4) discovery; and (5) bankruptcy litigation and (b) prevailing party shall mean the party who is determined in the proceeding to have prevailed or who prevails by dismissal, default or otherwise.

14.20 Time is of the Essence. All dates and times in this Agreement are of the essence.

14.21 Remedies Cumulative. The remedies under this Agreement are cumulative and shall not exclude any other remedies to which any person may be lawfully entitled.

14.22 Severability**.** Each article, section, subsection, and lesser section of this Agreement constitutes a separate and distinct undertaking, covenant or provision hereof. In the event that any provision of this Agreement shall be determined to be invalid or unenforceable, such provision shall be deemed limited by construction in scope and effect to the minimum extent necessary to render the same valid and enforceable, and, in the event such a limiting construction is impossible, such invalid or unenforceable provision shall be deemed severed from this Agreement, but every other provision of this Agreement shall remain in full force and effect.

14.23 Partition**.** The Members hereby agree that no Members, nor any successor in interest of any Members, shall have the right to have Company assets partitioned, or to file a complaint or institute any proceedings of law or equity to have a Company asset partitioned, and each Member, on behalf of itself, its successors and assigns, hereby waives any such rights.

14.24 Waiver. The failure of any Member to insist upon strict performance of a covenant hereunder or any obligation hereunder shall not be a waiver of such Member's right to demand compliance therewith in the future.

All of the Members have executed this Agreement, effective as of the date written above.

ATTEST

MEMBERS:

"OUTBACK"
OS PRIME, LLC,
a Florida limited liability company

By: OSI RESTAURANT PARTNERS, LLC
a Delaware limited liability company, its
managing member

By: /s/ Kelly Lefferts______________
Kelly Lefferts, Assistant Secretary

By: /s/ Joseph J. Kadow_______________
Joseph J. Kadow, Executive Vice President

"FPSH LP"
FPSH LIMITED PARTNERSHIP, an Arizona limited partnership

By its general partner:

PKCR, LLC, an Arizona limited liability company

By: /s/ Paul M. Fleming__________________
Paul M. Fleming, Manager

"AWA INC"
AWA III STEAKHOUSES, INC, a California corporation

By: /s/ A. William Allen__________
Print Name: A. William Allen________
Its: Secretary

By:_________
Its:___CEO__

EXHIBIT A

ADDRESSES
OF MEMBERS

Member	Address
OS PRIME,LLC	2202 N. West Shore Blvd., Suite 500 Tampa, Florida 33607
FPSH LIMITED PARTNERSHIP	1345 Lincoln Ave , Suite B Calistoga, California 94515
AWA III STEAKHOUSES, INC.	1300 Dove Street, Suite 105 Newport Beach, CA 92660

Schedule 1

Outback 89.62%
FPSH LP 7.88%
AWA INC 2.5%

CONSENT OF OSI RESTAURANT PARTNERS, LLC

The undersigned, the sole member OS PRIME, LLC, which is a member in OSI/FLEMING'S, LLC, a Delaware limited liability company hereby agrees to be bound by and comply with the provisions of that certain Amended and Restated Operating Agreement of OSI/FLEMING'S, LLC (the "Agreement") applicable to it in its capacity as the parent of OS PRIME, LLC or as otherwise provided in the Agreement.

DATED this 4th day of _June__, 2010.

ATTEST	OSI RESTAURANT PARTNERS, LLC, a Delaware limited liability company
By: /s/ Kelly Lefferts___________ Kelly Lefferts, Assistant Secretary	By:_/s/ Joseph J. Kadow____________ Joseph J. Kadow, Executive Vice President

CONSENT OF AWA III STEAKHOUSES, INC. SHAREHOLDER

A. William Allen III (together with his wife or a trust controlled by them), being all of the shareholders in AWA III STEAKHOUSES, INC. which is a member in OSI/FLEMING'S, LLC, a Delaware limited liability company, hereby agree to be bound by, and comply with the provisions of that certain Amended and Restated Operating Agreement of OSI/FLEMING'S, LLC (the "Agreement") applicable to them in their individual capacity, as shareholders of AWA III STEAKHOUSE, INC., or as "Fleming's Principals" (as such term is defined in the Agreement) or as otherwise provided in the Agreement.

DATED this _3rd_ day of __June____, 2010.

WITNESSES:

/s/ Noel Murphy____________________	_/s/ A. William Allen III_______
/s/ Jennifer Capler__________________	A. WILLIAM ALLEN III

CONSENT OF PAUL M. FLEMING

PAUL M. FLEMING being the sole manager of PKCR, LLC ("PKCR") the sole general partner of FPSH LIMITED PARTNERSHIP which is a member in OSI/FLEMING'S, LLC, a Delaware limited liability company, hereby agrees to be bound by, and comply with the provisions of that certain Amended and Restated Operating Agreement of OSI/FLEMING'S, LLC (the "Agreement") applicable to him in his individual capacity, as the sole manager of PKCR, and as a "Fleming's Principal" (as such term is defined in the Agreement) or as otherwise provided in the Agreement.

DATED this 3rd day of ___April_______, 2010.

WITNESSES:

/s/ Kelly Fleming____________________	/s/ Paul M. Fleming___________
/s/ Robert Fleming___________________	PAUL M. FLEMING

CONSENT OF PKCR , LLC

PKCR, LLC, the sole general partner of FPSH LIMITED PARTNERSHIP which is a member in OSI/FLEMING'S LLC (the "Company"), a Delaware limited liability company, hereby agrees to be bound by and comply with the provisions of that certain Amended and Restated Operating Agreement of OSI/FLEMING'S, LLC (the "Agreement") applicable to it individually and as a partner in FPSH LIMITED PARTNERSHIP, or as otherwise provided in the Agreement.

PKCR, LLC, an Arizona limited liability company

By: /s/ Paul M. Fleming
Paul M. Fleming, Manager

Exhibit 31.1

CERTIFICATION

I, Elizabeth A. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OSI Restaurant Partners, LLC;

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

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

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

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

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

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

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

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

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

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

Date: August 13, 2010

/s/ Elizabeth A. Smith
Elizabeth A. Smith
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Dirk A. Montgomery, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OSI Restaurant Partners, LLC;

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

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

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

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

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

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

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

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

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

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

Date: August 13, 2010

/s/ Dirk A. Montgomery

Dirk A. Montgomery
Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of OSI Restaurant Partners, LLC (the "Company") on Form 10-Q for the quarter ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Elizabeth A. Smith, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the dates and periods covered by the Report.

Date: August 13, 2010

/s/ Elizabeth A. Smith
Elizabeth A. Smith
President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to, and will be retained by, OSI Restaurant Partners, LLC and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of OSI Restaurant Partners, LLC (the "Company") on Form 10-Q for the quarter ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dirk A. Montgomery, Senior Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the dates and periods covered by the Report.

Date: August 13, 2010

/s/ Dirk A. Montgomery
Dirk A. Montgomery
Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to, and will be retained by, OSI Restaurant Partners, LLC and furnished to the Securities and Exchange Commission or its staff upon request.