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 September 30, 2007

OR

o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-21660

PAPA JOHN'S INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	**61-1203323**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification number)

2002 Papa Johns Boulevard
Louisville, Kentucky 40299-2367
(Address of principal executive offices)

(502) 261-7272
(Registrant's telephone number, including area code)

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

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

Large accelerated filer x Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes o No x

At October 31, 2007, there were outstanding 28,693,780 shares of the registrant's common stock, par value $0.01 per share.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

Papa John's International, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

(In thousands)	Sept. 30, 2007 (Unaudited)	Dec. 31, 2006 (Note)
Assets		
Current assets:		
Cash and cash equivalents	$ 8,078	$ 12,979
Accounts receivable	21,100	23,326
Inventories	22,622	26,729
Prepaid expenses	5,780	7,779
Other current assets	5,979	7,368
Deferred income taxes	9,310	6,362
Total current assets	72,869	84,543
Investments	522	1,254
Net property and equipment	202,015	197,722
Notes receivable	11,693	12,104
Deferred income taxes	9,320	1,643
Goodwill	86,403	67,357
Other assets	17,745	15,016
Total assets	$ 400,567	$ 379,639
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 29,560	$ 29,202
Income and other taxes	11,118	15,136
Accrued expenses	56,513	57,233
Current portion of debt	14,400	525
Total current liabilities	111,591	102,096
Unearned franchise and development fees	7,130	7,562
Long-term debt, net of current portion	124,508	96,511
Other long-term liabilities	29,900	27,302
Stockholders' equity:		
Preferred stock	—	—
Common stock	348	341
Additional paid-in capital	205,748	187,990
Accumulated other comprehensive income	358	515
Retained earnings	89,219	63,614
Treasury stock	(168,235)	(106,292)
Total stockholders' equity	127,438	146,168
Total liabilities and stockholders' equity	$ 400,567	$ 379,639

Note: The balance sheet at December 31, 2006 has been derived from the audited consolidated financial statements at that date, but does not include all information and footnotes required by accounting principles generally accepted in the United States for a complete set of financial statements.

See accompanying notes.

Papa John's International, Inc. and Subsidiaries
Consolidated Statements of Income
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended Sept. 30, 2007	Three Months Ended Sept. 24, 2006	Nine Months Ended Sept. 30, 2007	Nine Months Ended Sept. 24, 2006
Domestic revenues:				
Company-owned restaurant sales	$ 126,610	$ 107,793	$ 368,287	$ 319,957
Variable interest entities restaurant sales	1,862	1,320	5,151	6,457
Franchise royalties	13,158	13,186	41,356	41,388
Franchise and development fees	602	792	1,905	1,973
Commissary sales	97,753	98,272	294,176	301,932
Other sales	14,995	12,529	46,841	35,601
International revenues:				
Royalties and franchise and development fees	2,514	1,906	7,185	5,202
Restaurant and commissary sales	5,281	3,894	14,754	11,124
Total revenues	262,775	239,692	779,655	723,634
Costs and expenses:				
Domestic Company-owned restaurant expenses:				
Cost of sales	28,950	21,309	79,867	61,837
Salaries and benefits	38,369	32,291	111,241	95,044
Advertising and related costs	12,998	10,385	35,060	29,398
Occupancy costs	8,652	7,209	23,461	19,735
Other operating expenses	17,330	14,580	50,134	42,157
Total domestic Company-owned restaurant expenses	106,299	85,774	299,763	248,171
Variable interest entities restaurant expenses	1,566	1,112	4,297	5,443
Domestic commissary and other expenses:				
Cost of sales	81,006	79,957	243,725	245,366
Salaries and benefits	8,692	7,991	26,496	23,307
Other operating expenses	10,915	11,549	33,060	33,971
Total domestic commissary and other expenses	100,613	99,497	303,281	302,644
Loss (income) from the franchise cheese purchasing program, net of minority interest	7,854	(4,337)	14,032	(14,102)
International operating expenses	4,557	3,936	13,021	11,242
General and administrative expenses	27,282	26,427	77,903	77,057
Minority interests and other general expenses	1,186	182	4,122	3,207
Depreciation and amortization	7,911	6,674	23,395	19,838
Total costs and expenses	257,268	219,265	739,814	653,500
Operating income from continuing operations	5,507	20,427	39,841	70,134
Investment income	314	306	1,035	1,046
Interest expense	(1,982)	(935)	(5,214)	(2,367)
Income from continuing operations before income taxes	3,839	19,798	35,662	68,813
Income tax expense (benefit)	(988)	6,690	10,671	24,826
Income from continuing operations	4,827	13,108	24,991	43,987
Income from discontinued operations, net of tax	—	—	—	389
Net income	$ 4,827	$ 13,108	$ 24,991	$ 44,376
Basic earnings per common share:				
Income from continuing operations	$ 0.16	$ 0.41	$ 0.83	$ 1.35
Income from discontinued operations, net of tax	—	—	—	0.01
Basic earnings per common share	$ 0.16	$ 0.41	$ 0.83	$ 1.36
Earnings per common share - assuming dilution:				
Income from continuing operations	$ 0.16	$ 0.40	$ 0.82	$ 1.32
Income from discontinued operations, net of tax	—	—	—	0.01
Earnings per common share - assuming dilution	$ 0.16	$ 0.40	$ 0.82	$ 1.33
Basic weighted average shares outstanding	29,708	31,957	29,942	32,556
Diluted weighted average shares outstanding	30,027	32,583	30,435	33,296

See accompanying notes.

Papa John's International, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(Unaudited)

(In thousands)	Common Stock Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balance at December 25, 2005	33,081	$ 331	$ 160,999	$ (290)	$ 239	$ —	$ 161,279
Comprehensive income:							
Net income	—	—	—	—	44,376	—	44,376
Change in valuation of interest rate swap agreement, net of tax of $148	—	—	—	253	—	—	253
Other, net	—	—	—	835	—	—	835
Comprehensive income							45,464
Exercise of stock options	893	9	13,125	—	—	—	13,134
Tax benefit related to exercise of non-qualified stock options	—	—	4,128	—	—	—	4,128
Acquisition of Company common stock	(2,025)	—	—	—	—	(63,969)	(63,969)
Other	—	—	3,003	—	—	—	3,003
Balance at September 24, 2006	31,949	$ 340	$ 181,255	$ 798	$ 44,615	$ (63,969)	$ 163,039
Balance at December 31, 2006	30,696	$ 341	$ 187,990	$ 515	$ 63,614	$ (106,292)	$ 146,168
Cumulative effect of adoption of FIN 48	—	—	—	—	614	—	614
Adjusted balance at January 1, 2007	30,696	341	187,990	515	64,228	(106,292)	146,782
Comprehensive income:							
Net income	—	—	—	—	24,991	—	24,991
Change in valuation of interest rate swap agreements, net of tax of $305	—	—	—	(532)	—	—	(532)
Other, net	—	—	—	375	—	—	375
Comprehensive income							24,834
Exercise of stock options	674	7	10,783	—	—	—	10,790
Tax benefit related to exercise of non-qualified stock options	—	—	3,047	—	—	—	3,047
Acquisition of Company common stock	(2,213)	—	—	—	—	(61,943)	(61,943)
Other	—	—	3,928	—	—	—	3,928
Balance at September 30, 2007	29,157	$ 348	$ 205,748	$ 358	$ 89,219	$ (168,235)	$ 127,438

At September 24, 2006, the accumulated other comprehensive gain of $798 was comprised of net unrealized foreign currency translation gains of $907 and a net unrealized gain on investments of $6, offset by a net unrealized loss on the interest rate swap agreement of $115.

At September 30, 2007, the accumulated other comprehensive gain of $358 was comprised of unrealized foreign currency translation gains of $1,471, a net unrealized gain on investments of $10, offset by a net unrealized loss on the interest rate swap agreements of $539 and a $584 pension plan liability for PJUK.

See accompanying notes.

Papa John's International, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)	Nine Months Ended Sept. 30, 2007	Nine Months Ended Sept. 24, 2006
Operating activities		
Net income	$ 24,991	$ 44,376
Results from discontinued operations (net of income taxes)	—	(389)
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for uncollectible accounts and notes receivable	1,204	2,423
Depreciation and amortization	23,395	19,838
Deferred income taxes	(10,315)	803
Stock-based compensation expense	3,807	3,188
Excess tax benefit related to exercise of non-qualified stock options	(3,047)	(4,128)
Other	4,118	4,199
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	1,633	(2,717)
Inventories	4,099	(862)
Prepaid expenses	1,529	2,462
Other current assets	2,329	1,860
Other assets and liabilities	(2,514)	(5,087)
Accounts payable	295	(1,383)
Income and other taxes	(3,404)	(501)
Accrued expenses	(511)	4,138
Unearned franchise and development fees	(432)	(360)
Net cash provided by operating activities from continuing operations	47,177	67,860
Operating cash flows from discontinued operations	—	414
Net cash provided by operating activities	47,177	68,274
Investing activities		
Purchase of property and equipment	(23,091)	(26,606)
Proceeds from sale of property and equipment	30	69
Purchase of investments	—	(2,014)
Proceeds from sale or maturity of investments	732	5,599
Loans issued	(5,966)	(5,008)
Loan repayments	5,839	6,848
Acquisitions	(24,983)	(18,858)
Proceeds from divestiture of restaurants	632	—

Net cash from continuing operations used in investing activities	(46,807)	(39,970)
Proceeds from divestiture of discontinued operations	—	8,020
Net cash used in investing activities	(46,807)	(31,950)
Financing activities		
Net proceeds from line of credit facility	28,000	500
Net proceeds (repayments) from short-term debt - variable interest entities	13,875	(2,075)
Excess tax benefit related to exercise of non-qualified stock options	3,047	4,128
Proceeds from exercise of stock options	10,790	13,134
Acquisition of Company common stock	(61,943)	(63,969)
Other	862	177
Net cash used in financing activities	(5,369)	(48,105)
Effect of exchange rate changes on cash and cash equivalents	98	78
Change in cash and cash equivalents	(4,901)	(11,703)
Cash and cash equivalents at beginning of period	12,979	22,098
Cash and cash equivalents at end of period	$ 8,078	$ 10,395

See accompanying notes.

Papa John's International, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements
(Unaudited)

September 30, 2007

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2007 are not necessarily indicative of the results that may be expected for the fiscal year ended December 30, 2007. For further information, refer to the consolidated financial statements and footnotes thereto included in the Annual Report on Form 10-K for Papa John's International, Inc. (referred to as the "Company", "Papa John's" or in the first-person notations of "we", "us" and "our") for the year ended December 31, 2006.

2. Accounting for Uncertainty in Income Taxes (FIN 48)

The Company adopted the provisions of the Financial Accounting Standards Board ("FASB") Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), on January 1, 2007. FIN 48 addresses the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. In addition, FIN 48 expands the disclosure requirements concerning unrecognized tax benefits as well as any significant changes that may occur in the next twelve months associated with such unrecognized tax benefits. As a result of the implementation of FIN 48, the Company recognized an approximate $614,000 decrease in the liability for unrecognized tax benefits, which is accounted for as an increase to the January 1, 2007 balance of retained earnings. As of the adoption date, we had tax affected unrecognized benefits of approximately $9.6 million. To the extent these unrecognized tax benefits are ultimately recognized, the effective tax rate will be impacted in a future period.

The Company files income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. The Company, with few exceptions, is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2003. During the third quarter of 2007, the Company recognized a $1.5 million decrease in the liability for unrecognized tax benefits and a decrease of income tax expense due to the expiration of certain statutes of limitations for previously filed tax returns. The Company is currently undergoing examinations by various state and local tax authorities. The Company anticipates that the finalization of these current examinations and other issues will result in a decrease in the liability for unrecognized tax benefits (and a decrease of income tax expense) of approximately $624,000 during the next 12 months.

The Company recognizes interest accrued and penalties related to unrecognized tax benefits as a part of income tax expense. The Company recognized interest expense of $129,000 and $110,000 for the three months ended September 30, 2007 and September 24, 2006, respectively, and $410,000 and $487,000 for the nine months ended September 30, 2007 and September 24, 2006, respectively. The Company had approximately $2.1 million and $2.5 million for the payment of interest and penalties accrued at September 30, 2007 and December 31, 2006, respectively.

3. Acquisitions

During the first quarter of 2007, we completed the acquisition of six restaurants located in Pennsylvania, Texas and Oklahoma. The purchase price for these restaurants totaled $1.2 million, which was paid in cash, of which approximately $779,000 was recorded as goodwill.

During the second quarter, we completed the acquisition of 13 restaurants in Georgia. The purchase price for these restaurants totaled $7.4 million, which was paid in cash, of which approximately $6.4 million was recorded as goodwill.

During the third quarter, we acquired 31 restaurants located in Missouri and Kansas. The purchase price for these restaurants totaled $10.3 million, which was paid in cash, of which approximately $7.2 million was recorded as goodwill. Also in the third quarter, we acquired 11 restaurants located in the Washington, D.C. area. The purchase price for these restaurants was $6.1 million, which was paid in cash, of which $4.7 million of the purchase price was recorded as goodwill.

The acquisitions described in the previous paragraphs were accounted for by the purchase method of accounting, whereby operating results subsequent to the acquisition dates are included in our consolidated financial results.

4. Accounting for Variable Interest Entities

In 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51* (FIN 46), which provides a framework for identifying variable interest entities ("VIEs") and determining when a company should include the assets, liabilities, non-controlling interests and results of activities of a VIE in its consolidated financial statements.

In general, a VIE is a corporation, partnership, limited liability company, trust, or any other legal structure used to conduct activities or hold assets that either (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (2) has a group of equity owners that are unable to make significant decisions about its activities, or (3) has a group of equity owners that do not have the obligation to absorb losses or the right to receive returns generated by its operations.

FIN 46 requires a VIE to be consolidated if a party with an ownership, contractual or other financial interest in the VIE (a "variable interest holder") is obligated to absorb a majority of the risk of loss from the VIE's activities, is entitled to receive a majority of the VIE's residual returns (if no party absorbs a majority of the VIE's losses), or both. A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must initially record all of the VIE's assets, liabilities and non-controlling interests at fair value and subsequently account for the VIE as if it were consolidated based on majority voting interest. FIN 46 also requires disclosures about VIEs that the variable interest holder is not required to consolidate but in which it has a significant variable interest.

We have a purchasing arrangement with BIBP Commodities, Inc. ("BIBP"), a special-purpose entity formed at the direction of our Franchise Advisory Council in 1999 for the sole purpose of reducing cheese price volatility to domestic system-wide restaurants. BIBP is an independent, franchisee-owned corporation. BIBP purchases cheese at the market price and sells it to our distribution subsidiary, PJ Food Service, Inc. ("PJFS"), at a fixed quarterly price based in part upon historical average market prices. PJFS in turn sells cheese to Papa John's restaurants (both Company-owned and franchised) at a set quarterly price. PJFS purchased $38.2 million and $99.2 million of cheese from BIBP for the three and nine months ended September 30, 2007, respectively, and $34.0 million and $105.9 million of cheese for the comparable periods in 2006, respectively.

As defined by FIN 46, we are the primary beneficiary of BIBP, a VIE, and thus we consolidate the financial statements of BIBP. We recognize the operating losses generated by BIBP if BIBP's shareholders' equity is in a net deficit position. Further, we will recognize the subsequent operating income generated by BIBP up to the amount of any losses previously recognized.

We recognized pre-tax losses of $10.7 million ($7.0 million net of tax, or $0.23 per share) and $19.4 million ($12.5 million net of tax, or $0.41 per share) for the three and nine months ended September 30, 2007, respectively, and pre-tax income of $5.3 million ($3.0 million net of tax, or $0.09 per share) and $17.0 million ($10.4 million net of tax, or $0.31 per share) for the three and nine months ended September 24, 2006, respectively, from the consolidation of BIBP. The impact on future operating income from the consolidation of BIBP is expected to be significant for any given reporting period due to the volatility of the cheese market, but is not expected to be cumulatively significant over time.

BIBP has a $20 million line of credit with a commercial bank, which is not guaranteed by Papa John's. Papa John's has agreed to provide additional funding in the form of a loan to BIBP. As of September 30, 2007, BIBP had outstanding borrowings of $14.4 million and a letter of credit of $3.0 million outstanding under the commercial line of credit facility and outstanding borrowings of $6.1 million with Papa John's.

In addition, Papa John's has extended loans to certain franchisees. Under FIN 46, Papa John's was deemed the primary beneficiary of three franchise entities as of September 30, 2007 and two entities as of September 24, 2006, even though we had no ownership in them. The three franchise entities at September 30, 2007 operated a total of twelve restaurants with annual revenues approximating $8.4 million. Our net loan balance receivable from these entities was $719,000 at September 30, 2007, with no further funding commitments. The consolidation of these franchise entities has had no significant impact on Papa John's operating results and is not expected to have a significant impact in future periods.

The following table summarizes the balance sheets for our consolidated VIEs as of September 30, 2007 and December 31, 2006:

	September 30, 2007			December 31, 2006		
(In thousands)	**BIBP**	**Franchisees**	**Total**	**BIBP**	**Franchisees**	**Total**
Assets:						
Cash and cash equivalents	$ 1,817	$ 189	$ 2,006	$ 144	$ 150	$ 294
Accounts receivable—Papa John's	6,251	—	6,251	3,950	—	3,950
Other current assets	722	59	781	1,397	26	1,423
Net property and equipment	—	773	773	—	464	464
Goodwill	—	455	455	—	460	460
Deferred income taxes	7,004	—	7,004	—	—	—
Total assets	$ 15,794	$ 1,476	$ 17,270	$ 5,491	$ 1,100	$ 6,591
Liabilities and stockholders' equity (deficit):						
Accounts payable and accrued expenses	$ 7,819	$ 237	$ 8,056	$ 3,436	$ 220	$ 3,656
Income and other taxes	—	—	—	506	—	506
Short-term debt—third party	14,400	—	14,400	525	—	525
Short-term debt—Papa John's	6,070	719	6,789	—	517	517
Total liabilities	28,289	956	29,245	4,467	737	5,204

Stockholders' equity (deficit)	(12,495)	520	(11,975)	1,024	363	1,387
Total liabilities and stockholders' equity (deficit)	$ 15,794	$ 1,476	$ 17,270	$ 5,491	$ 1,100	$ 6,591

5. Debt

Our debt is comprised of the following (in thousands):

	September 30, 2007	December 31, 2006
Revolving line of credit	$ 124,500	$ 96,500
Debt associated with VIEs *	14,400	525
Other	8	11
Total debt	138,908	97,036
Less: current portion of debt	(14,400)	(525)
Long-term debt	$ 124,508	$ 96,511

* The VIEs' third-party creditors do not have any recourse to Papa John's.

6. Calculation of Earnings Per Share

The calculations of basic earnings per common share from continuing operations and earnings per common share — assuming dilution from continuing operations are as follows (in thousands, except per share data):

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2007	Sept. 24, 2006	Sept. 30, 2007	Sept. 24, 2006
Basic earnings per common share:				
Income from continuing operations	$ 4,827	$ 13,108	$ 24,991	$ 43,987
Weighted average shares outstanding	29,708	31,957	29,942	32,556
Basic earnings per common share	$ 0.16	$ 0.41	$ 0.83	$ 1.35
Earnings per common share - assuming dilution:				
Income from continuing operations	$ 4,827	$ 13,108	$ 24,991	$ 43,987
Weighted average shares outstanding	29,708	31,957	29,942	32,556
Dilutive effect of outstanding common stock options	319	626	493	740
Diluted weighted average shares outstanding	30,027	32,583	30,435	33,296
Earnings per common share - assuming dilution	$ 0.16	$ 0.40	$ 0.82	$ 1.32

7. Comprehensive Income

Comprehensive income is comprised of the following:

	Three Months Ended		Nine Months Ended	
(In thousands)	Sept. 30, 2007	Sept. 24, 2006	Sept. 30, 2007	Sept. 24, 2006
Net income	$ 4,827	$ 13,108	$ 24,991	$ 44,376
Change in valuation of interest rate swap agreements, net of tax	(895)	(939)	(532)	253
Other, net	55	332	375	835
Comprehensive income	$ 3,987	$ 12,501	$ 24,834	$ 45,464

8. Segment Information

We have defined five reportable segments: domestic restaurants, domestic commissaries, domestic franchising, international operations and variable interest entities ("VIEs").

The domestic restaurant segment consists of the operations of all domestic ("domestic" is defined as contiguous United States) Company-owned restaurants and derives its revenues principally from retail sales of pizza and side items, such as breadsticks, cheesesticks, chicken strips, chicken wings, dessert pizza and soft drinks to the general public. The domestic commissary segment consists of the operations of our regional dough production and product distribution centers and derives its revenues principally from the sale and distribution of food and paper products to domestic Company-owned and franchised restaurants. The domestic franchising segment consists of our franchise sales and support activities and derives its revenues from sales of franchise and development rights and collection of royalties from our domestic franchisees. The international operations segment principally consists of our Company-owned restaurants and distribution sales to franchised Papa John's restaurants located in the United Kingdom, China and Mexico and our franchise sales and support activities, which derive revenues from sales of franchise and development rights and the collection of royalties from our international franchisees. VIEs consist of entities in which we are deemed the primary beneficiary, as defined in Note 4, and include BIBP and certain franchisees to which we have extended loans. All other business units that do not meet the quantitative thresholds for determining reportable segments consist of operations that derive revenues from the sale, principally to Company-owned and franchised restaurants, of printing and promotional items, risk management services, information systems and related services used in restaurant operations and certain partnership development activities.

Generally, we evaluate performance and allocate resources based on profit or loss from operations before income taxes and eliminations. Certain administrative and capital costs are allocated to segments based upon predetermined rates or actual estimated resource usage. We account for intercompany sales and transfers as if the sales or transfers were to third parties and eliminate the related profit in consolidation.

Our reportable segments are business units that provide different products or services. Separate management of each segment is required because each business unit is subject to different operational issues and strategies. No single external customer accounted for 10% or more of our consolidated revenues.

Our segment information is as follows:

(In thousands)	Three Months Ended Sept. 30, 2007	Three Months Ended Sept. 24, 2006	Nine Months Ended Sept. 30, 2007	Nine Months Ended Sept. 24, 2006
Revenues from external customers:				
Domestic Company-owned restaurants	$ 126,610	$ 107,793	$ 368,287	$ 319,957
Domestic commissaries	97,753	98,272	294,176	301,932
Domestic franchising	13,760	13,978	43,261	43,361
International	7,795	5,800	21,939	16,326
Variable interest entities(1)	1,862	1,320	5,151	6,457
All others	14,995	12,529	46,841	35,601
Total revenues from external customers	$ 262,775	$ 239,692	$ 779,655	$ 723,634
Intersegment revenues:				
Domestic commissaries	$ 33,155	$ 27,073	$ 93,684	$ 82,338
Domestic franchising	390	308	1,067	938
International	227	212	533	491
Variable interest entities(1)	38,186	33,989	99,203	105,876
All others	4,526	3,691	11,941	9,819
Total intersegment revenues	$ 76,484	$ 65,273	$ 206,428	$ 199,462
Income (loss) from continuing operations before income taxes:				
Domestic Company-owned restaurants(2)	$ 3,493	$ 5,562	$ 19,243	$ 23,012
Domestic commissaries(3)	9,661	8,158	27,592	24,023
Domestic franchising(4)	11,629	12,130	36,737	37,881
International(5)	(2,022)	(2,003)	(6,374)	(6,763)
Variable interest entities	(10,707)	5,336	(19,370)	17,027
All others	1,321	1,079	4,045	3,796
Unallocated corporate expenses(6)	(9,369)	(10,354)	(25,150)	(29,172)
Elimination of intersegment profits	(167)	(110)	(1,061)	(991)
Total income from continuing operations before income taxes	$ 3,839	$ 19,798	$ 35,662	$ 68,813
Property and equipment:				
Domestic Company-owned restaurants	$ 162,315			
Domestic commissaries	76,666			
International	6,735			
Variable interest entities	1,719			
All others	22,875			
Unallocated corporate assets	135,856			
Accumulated depreciation and amortization	(204,151)			
Net property and equipment	$ 202,015			

(1) The revenues from external customers for VIEs are attributable to the franchise entities to which we have extended loans that qualify as consolidated VIEs. The intersegment revenues for VIEs are attributable to BIBP.

(2) The operating results for domestic Company-owned restaurants decreased approximately $2.1 million and $3.8 million for the three and nine months ended September 30, 2007, respectively, primarily due to an increase in wages (including the impact of federal minimum wage increases in July 2007 and certain other minimum wage increases in various states), increased commodity costs and increased marketing expenditures at the local market level. The third quarter results also include a loss of $500,000 associated with our plan to sell certain Company-owned restaurants in one market. The nine-month period results were favorably impacted by a $594,000 pre-tax gain associated with the termination of a lease arrangement in the second quarter of 2007.

(3) The operating results for the domestic commissaries segment increased approximately $1.5 million and $3.6 million for the three and nine months ended September 30, 2007, respectively, principally due to increased volumes of higher margin fresh dough products and improved margin from other commodities.

(4) The operating results for the domestic franchising segment decreased $501,000 and $1.1 million for the three- and nine-month periods ended September 30, 2007, respectively, principally due to an increase in our field organizational support staff to improve the performance of our domestic franchise

operations. Royalty revenue was flat, as a decrease in equivalent franchise units of approximately 2.0% due to various acquisitions of franchise units by the Company was offset by a reduction in royalty waivers granted to franchisees.

(5) The international segment, which excludes the Perfect Pizza operations that were sold in March 2006, reported operating losses of $2.0 million and $6.4 million for the three and nine months ended September 30, 2007, respectively, compared to losses of $2.0 million and $6.8 million, respectively, in the prior comparable periods. The improvement in the operating results for the nine-month period was due to the prior year results including a $470,000 charge incurred in the second quarter of 2006 related to costs associated with management reorganization with one of our international operating units. Increased current year revenues due to growth in number of units and unit volumes were substantially offset by increased personnel and infrastructure investment costs.

(6) Unallocated corporate expenses decreased approximately $1.0 million and $4.0 million for the three- and nine-month periods ended September 30, 2007, respectively, as compared to the corresponding periods of 2006. The decreases in both periods are primarily due to lower general and administrative costs, including management incentives, health insurance and legal costs. The nine-month period decrease was also impacted by the collection of a $650,000 receivable, which had previously been reserved, from Papa Card, Inc., a nonstock, nonprofit corporation, which administers the Papa John's gift card program.

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

Results of Operations and Critical Accounting Policies and Estimates

Papa John's International, Inc. (referred to as the "Company," "Papa John's" or in the first-person notations of "we," "us" and "our") began operations in 1985. At September 30, 2007, there were 3,139 Papa John's restaurants (660 Company-owned and 2,479 franchised) operating in all 50 states and 27 countries. Our revenues are principally derived from retail sales of pizza and other food and beverage products to the general public by Company-owned restaurants, franchise royalties, sales of franchise and development rights, sales to franchisees of food and paper products, printing and promotional items, risk management services, and information systems and related services used in their operations.

The results of operations are based on the preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States. The preparation of consolidated financial statements requires management to select accounting policies for critical accounting areas and make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant changes in assumptions and/or conditions in our critical accounting policies could materially impact the operating results. We have identified the following accounting policies and related judgments as critical to understanding the results of our operations.

Allowance for Doubtful Accounts and Notes Receivable

We establish reserves for uncollectible accounts and notes receivable based on overall receivable aging levels and a specific evaluation of accounts and notes for franchisees with known financial difficulties. These reserves and corresponding write-offs could significantly increase if the identified franchisees continue to experience deteriorating financial results.

Long-Lived and Intangible Assets

The recoverability of long-lived assets is evaluated if impairment indicators exist. Indicators of impairment include historical financial performance, operating trends and our future operating plans. If impairment indicators exist, we evaluate the recoverability of long-lived assets on an operating unit basis (e.g., an individual restaurant) based on undiscounted expected future cash flows before interest for the expected remaining useful life of the operating unit. Recorded values for long-lived assets that are not expected to be recovered through undiscounted future cash flows are written down to current fair value, which is generally determined from estimated discounted future net cash flows for assets held for use or net realizable value for assets held for sale.

*The recoverability of indefinite-lived intangible assets (*i.e., *goodwill) is evaluated annually, or more frequently if impairment indicators exist, on a reporting unit basis by comparing the fair value derived from discounted expected cash flows of the reporting unit to its carrying value.* At September 30, 2007, our United Kingdom subsidiary, Papa John's UK ("PJUK"), had goodwill of approximately $17.2 million. In addition to the sale of the Perfect Pizza operations, which occurred in March 2006, we have restructured management and developed plans for PJUK to improve its future operating results. The plans include efforts to increase Papa John's brand awareness in the United Kingdom and increase net PJUK franchise unit openings over the next several years. We will continue to periodically evaluate our progress in achieving these plans. If our initiatives are not successful, impairment charges could occur.

Insurance Reserves

Our insurance programs for workers' compensation, general liability, owned and non-owned automobiles and health insurance coverage provided to our employees are self-insured up to certain individual and aggregate reinsurance levels. Losses are accrued based upon estimates of the aggregate retained liability for claims incurred using certain third-party actuarial projections and our claims loss experience. The estimated insurance claims losses could be significantly affected should the frequency or ultimate cost of claims significantly differ from historical trends used to estimate the insurance reserves recorded by us.

From October 2000 through September 2004, our captive insurance company, which provided insurance to our franchisees, was self-insured. In October 2004, a third-party commercial insurance company began providing fully-insured coverage to franchisees participating in the franchise insurance program. This new arrangement eliminates our risk of loss for franchise insurance coverage written after September 2004. Our operating income will still be subject to potential adjustments for changes in estimated insurance reserves for policies written from the inception of the captive insurance company in October 2000 to September 2004. Such adjustments, if any, will be determined in part based upon periodic actuarial valuations.

Deferred Income Tax Assets and Tax Reserves

As of September 30, 2007, we had a net deferred income tax asset balance of $18.6 million, of which approximately $7.0 million relates to BIBP's net operating loss carryforward. We have not provided a valuation allowance for the deferred income tax assets since we believe it is more likely than not that the Company's future earnings, including BIBP, will be sufficient to ensure the realization of the net deferred income tax assets for federal and state purposes.

The Company adopted the provisions of the Financial Accounting Standards Board ("FASB") Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), on January 1, 2007. FIN 48 addresses the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. In addition, FIN 48 expands the disclosure requirements concerning unrecognized tax benefits as well as any significant changes that may occur in the next twelve months associated with such unrecognized tax benefits. As a result of the implementation of FIN 48, the Company recognized an approximate $614,000 decrease in the liability for unrecognized tax benefits, which is accounted for as an increase to the January 1, 2007 balance of retained earnings. As of the adoption date, we had

tax-affected unrecognized benefits of approximately $9.6 million. To the extent these unrecognized tax benefits are ultimately recognized, the effective tax rate will be impacted in a future period.

Certain tax authorities periodically audit the Company. We provide reserves for potential exposures based on FIN 48 requirements described above. We evaluate these issues on a quarterly basis to adjust for events, such as court rulings or audit settlements, which may impact our ultimate payment for such exposures. During the third quarter of 2007, the Company recognized a $2.4 million reduction in income tax expense composed of a $1.5 million reduction in the liability for unrecognized tax benefits (see Note 2, Accounting for Uncertainty in Income Taxes (FIN 48)) and a $900,000 adjustment for the finalization of certain income tax issues.

Consolidation of BIBP Commodities, Inc. ("BIBP") as a Variable Interest Entity

BIBP is a franchisee-owned corporation that conducts a cheese-purchasing program on behalf of domestic Company-owned and franchised restaurants. As required by FASB Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51* (FIN 46), we consolidate the financial results of BIBP since we qualify as the primary beneficiary, as defined by FIN 46, of BIBP. We recognized pre-tax losses of $10.7 million and $19.4 million for the three and nine months ended September 30, 2007, respectively, and pre-tax income of approximately $5.3 million and $17.0 million for the three and nine months ended September 24, 2006, respectively, from the consolidation of BIBP. In future periods, we expect the consolidation of BIBP to have a significant impact on Papa John's operating income in any given reporting period due to the volatility of cheese prices, but BIBP's operating results are not expected to be cumulatively significant over time. Papa John's will recognize the operating losses generated by BIBP if the shareholders' equity of BIBP is in a net deficit position. Further, Papa John's will recognize subsequent operating income generated by BIBP up to the amount of BIBP losses previously recognized by Papa John's.

New Accounting Standard

In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*. SFAS No. 157 requires companies to determine fair value based on the price that would be received to sell the asset or paid to transfer the liability to a market participant. SFAS No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. The effective date of SFAS No. 157 will be the first quarter of 2008. SFAS No. 157 could impact our future estimates of valuing long-lived and intangible assets such as our annual fair value evaluation of PJUK. We have not determined the impact, if any, of adopting SFAS No. 157.

Franchise Renewal Program

In October 2007, the Company communicated to its domestic franchisees a Franchise Agreement Renewal Program (the "Renewal Program"). Substantially all existing franchise agreements have an initial 10-year term with a 10-year renewal option. Many of these original agreements have reached or will reach the end of their initial term in the next few years and will therefore require renewal.

The Company collaborated with the Franchise Advisory Council, which consists of Company and franchisee representatives of domestically owned restaurants, to develop a revised form of franchise agreement that will be available for execution upon renewal by existing franchisees (the "Negotiated Agreement"). The primary objectives of the negotiation of a revised form of franchise agreement included:

- Providing visibility to franchisees as to the potential timing and amount of future royalty rate increases;
- Ensuring minimum funding levels for the National Marketing Fund given the scale advantages of our larger competitors;
- Providing a funding mechanism for continued investment in maintaining and enhancing our online technological capabilities; and
- Addressing alternative marketing or other business developments to ensure the new form of franchise agreement is consistent and up to date.

Under the Renewal Program, the Company is offering certain renewal fee discounts to encourage all existing franchisees to renew under the Negotiated Agreement by December 31, 2007. Additionally, existing franchisees electing not to renew under the Negotiated Agreement by this date will be offered the then-current standard form of franchise agreement (the "New Standard Agreement") upon their subsequent renewal.

Key provisions of the Negotiated Agreement in comparison to existing franchise agreements and the New Standard Agreement are as follows:

Royalty Rate — Under the form of franchise agreement to which substantially all franchisees are currently subject, the royalty rate can be increased from 4% to 5% at any time at the discretion of the Company. The Negotiated Agreement limits the royalty rate increase to a maximum of one-quarter percent per year beginning in 2008, reaching 5% no earlier than 2011 and further limits the royalty rate to a maximum of 5% through 2020. Royalty rate increases subsequent to 2020 are also limited to one-quarter percent per year and cannot exceed 5.5% through 2025, with a maximum rate of 6% thereafter. The royalty rate increase provisions of the Negotiated Agreement are more favorable to the franchisees than the provisions of either the majority of existing agreements as noted above or the New Standard Agreement, which provides for a minimum 5% royalty rate that can be increased to 6% at any time at the discretion of the Company.

Marketing Expenditures — The Negotiated Agreement provides for certain minimum contributions as a percentage of sales to the National Marketing Fund and a minimum level of spending as a percentage of sales on all marketing activities, consisting of contributions to both the National Marketing Fund and local marketing cooperatives, as well as local store marketing initiatives.

Online Ordering System Fees — The Negotiated Agreement limits the fee charged for online transactions to 3% of the amount of the transaction. Additionally, once the Company has recovered a certain portion of its initial investment in the development of the online system via the net operating profits of the system, the online business unit will be operated at a break-even level through either a reduction in the fee percentage or a contribution of any net operating profits into the National Marketing Fund at the discretion of the Board of the National Marketing Fund.

The Negotiated Agreement also addresses several other issues, including sharing of profits from partnership marketing or alternative sales channels activities, development of a process for defining trade areas for alternative ordering methodologies and marketing contribution requirements for non-traditional units.

The Company believes that a substantial number of the existing franchisees will elect to renew their existing franchise agreements under the provisions of the Negotiated Agreement. The financial implications of this renewal activity for the Company are expected to be as follows:

- Franchise renewal fee income is expected to increase in the fourth quarter to a level that could approach or exceed $2 million. Given the current commodity cost environment, the Company has chosen to reinvest substantially all of this expected incremental renewal fee income to support the entire domestic system via reduced commissary margins, thus partially mitigating commodity cost increases, and to support Company-owned restaurants with incremental marketing activities.

- The royalty rate will be increased to 4.25% effective December 31, 2007, for those franchisees who renew subject to the Negotiated Agreement. The royalty rate for most franchisees that choose not to renew under the Negotiated Agreement will increase to 5% effective December 31, 2007, although this higher rate is not expected to apply to a significant number of franchisees. The current annual impact of a one-quarter percent royalty rate increase is approximately $3.5 to $4.0 million; however, given the current and projected cost environment for 2008, the Company anticipates that a portion of the incremental royalty income to be received in 2008 as a result of the rate increase will be expended in the form of investments in the franchise system, particularly to developing markets that have not yet reached critical mass.

- The Company has communicated its intention to further increase the royalty rate for franchisees that renew their Franchise Agreement subject to the Negotiated Agreement to 4.50% in 2009, 4.75% in 2010 and 5.00% in 2011, in accordance with the terms of the negotiation. Facts and circumstances existing at such future dates may impact the Company's final determination as to whether to reinvest any of the funds for the benefit of the system.

- The Company will recognize approximately $3.0 million of operating income from the online ordering system business unit in 2007 and expects to recognize a similar amount in 2008, completing the negotiated amount of recovery of the Company's initial investment in the development of the system. As noted above, this business unit will subsequently be operated at a break-even level and, accordingly, the amount of operating income recognized by the Company related to this business unit is expected to be approximately $3.0 million less in 2009 than in 2008. The impact of this reduction should be somewhat mitigated by either a reduction in online fee percentage for Company-owned restaurants or incremental funds contributed to the National Marketing Fund to be expended for the benefit of the entire domestic system.

Restaurant Progression:

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2007	**Sept. 24, 2006**	**Sept. 30, 2007**	**Sept. 24, 2006**
Papa John's Restaurant Progression:				
U.S. Company-owned:				
Beginning of period	606	510	577	502
Opened	2	5	15	11
Closed	(1)	—	(3)	(1)
Acquired from franchisees	42	43	61	46
Sold to franchisees	—	—	(1)	—
End of period	649	558	649	558
International Company-owned:				
Beginning of period	8	6	11	2
Opened	1	—	1	1
Acquired from franchisees	2	—	2	3
Sold to franchisees	—	—	(3)	—
End of period	11	6	11	6
U.S. franchised:				
Beginning of period	2,096	2,125	2,080	2,097
Opened	36	26	96	82
Closed	(12)	(22)	(38)	(47)
Acquired from Company	—	—	1	—
Sold to Company	(42)	(43)	(61)	(46)
End of period	2,078	2,086	2,078	2,086
International franchised:				
Beginning of period	380	319	347	325
Opened	28	17	64	57
Closed	(5)	(8)	(11)	(51)

Acquired from Company	—	—	3	—
Sold to Company	(2)	—	(2)	(3)
End of period	401	328	401	328
Total restaurants—end of period	3,139	2,978	3,139	2,978
Perfect Pizza Restaurant Progression:				
Franchised:				
Beginning of period	—	—	—	112
Closed	—	—	—	(3)
Sold	—	—	—	(109)
Total restaurants—end of period	—	—	—	—

Results of Operations

Variable Interest Entities

As required by FIN 46, our operating results include BIBP's operating results. The consolidation of BIBP had a significant impact on our operating results for the three and nine months ended September 30, 2007 and for the first nine months and full year of 2006, and is expected to have a significant ongoing impact on our future operating results, including the full year of 2007, and income statement presentation as described below.

Consolidation accounting requires the net impact from the consolidation of BIBP to be reflected primarily in three separate components of our statement of income. The first component is the portion of BIBP operating income or loss attributable to the amount of cheese purchased by Company-owned restaurants during the period. This portion of BIBP operating income (loss) is reflected as a reduction (increase) in the "Domestic Company-owned restaurant expenses - cost of sales" line item. This approach effectively reports cost of sales for Company-owned restaurants as if the purchasing arrangement with BIBP did not exist and such restaurants were purchasing cheese at the spot market prices (*i.e.*, the impact of BIBP is eliminated in consolidation).

The second component of the net impact from the consolidation of BIBP is reflected in the caption "Loss (income) from the franchise cheese-purchasing program, net of minority interest." This line item represents BIBP's income or loss from purchasing cheese at the spot market price and selling to franchised restaurants at a fixed quarterly price, net of any income or loss attributable to the minority interest BIBP shareholders. The amount of income or loss attributable to the BIBP shareholders depends on its cumulative shareholders' equity balance and the change in such balance during the reporting period. The third component is reflected as investment income or interest expense, depending upon whether BIBP is in a net investment or net borrowing position during the reporting period.

In addition, Papa John's has extended loans to certain franchisees. Under the FIN 46 rules, Papa John's is deemed to be the primary beneficiary of certain franchisees even though we have no ownership interest in them. We consolidated the financial results of three franchise entities operating a total of twelve restaurants with annual sales approximating $8.4 million for the three and nine months ended September 30, 2007 and two franchise entities operating a total of seven restaurants with annual sales approximating $6.0 million for the three and nine months ended September 24, 2006.

The following table summarizes the impact of VIEs, prior to required consolidating eliminations, on our consolidated statements of income for the three and nine months ended September 30, 2007 and September 24, 2006 (in thousands):

	Three Months Ended September 30, 2007			Three Months Ended September 24, 2006		
	BIBP	Franchisees	Total	BIBP	Franchisees	Total
Variable interest entities restaurant sales	$ —	$ 1,862	$ 1,862	$ —	$ 1,320	$ 1,320
BIBP sales	38,186	—	38,186	33,989	—	33,989
Total revenues	38,186	1,862	40,048	33,989	1,320	35,309
Operating expenses	48,650	1,699	50,349	28,480	1,217	29,697
General and administrative expenses	28	80	108	22	53	75
Other general expenses	—	69	69	—	36	36
Depreciation and amortization	—	14	14	—	14	14
Total costs and expenses	48,678	1,862	50,540	28,502	1,320	29,822
Operating income (loss)	(10,492)	—	(10,492)	5,487	—	5,487
Net interest expense	(215)	—	(215)	(151)	—	(151)
Income (loss) before income taxes	$ (10,707)	$ —	$ (10,707)	$ 5,336	$ —	$ 5,336

	Nine Months Ended September 30, 2007			Nine Months Ended September 24, 2006		
	BIBP	Franchisees	Total	BIBP	Franchisees	Total
Variable interest entities restaurant sales	$ —	$ 5,151	$ 5,151	$ —	$ 6,457	$ 6,457
BIBP sales	99,203	—	99,203	105,876	—	105,876
Total revenues	99,203	5,151	104,354	105,876	6,457	112,333
Operating expenses	118,203	4,664	122,867	88,046	5,923	93,969
General and administrative expenses	75	189	264	97	347	444

Other general expenses	—	260	260	—	53	53
Depreciation and amortization	—	38	38	—	134	134
Total costs and expenses	118,278	5,151	123,429	88,143	6,457	94,600
Operating income (loss)	(19,075)	—	(19,075)	17,733	—	17,733
Net interest expense	(295)	—	(295)	(706)	—	(706)
Income (loss) before income taxes	$ (19,370)	$ —	$ (19,370)	$ 17,027	$ —	$ 17,027

Discontinued Operations

In March 2006, the Company sold its Perfect Pizza operations in the United Kingdom, consisting of the franchise rights and leases related to the 109 franchised Perfect Pizza restaurants, as well as the distribution operations, with annual revenues in 2005 approximating $13.6 million. The total proceeds from the sale were approximately $13.0 million, with $8.0 million received in cash at closing, and the balance to be received under the terms of an interest-bearing note through 2011. There was no gain or loss recognized in 2006 in connection with the sale of Perfect Pizza.

We have classified our Perfect Pizza operations as discontinued operations in the accompanying financial statements. For the first quarter of 2006, the net sales and net income of the Perfect Pizza discontinued operations were $2.4 million and $389,000 ($0.01 per diluted share), respectively.

Summary of Operating Results from Continuing Operations

Total revenues were $262.8 million for the third quarter of 2007, representing an increase of $23.1 million, or 9.6%, from revenues of $239.7 million for the same period in 2006. For the nine-month period ending September 30, 2007, total revenues were $779.7 million, representing an increase of $56.0 million, or 7.7%, from revenues of $723.6 million for the same period in 2006. The increases in total revenues for the three- and nine-month periods were primarily due to increases in domestic Company-owned restaurant revenues, reflecting the acquisition of 54 domestic restaurants during the last five months of 2006 and the acquisition of 61 domestic restaurants during the first nine months of 2007. Other sales increased in both the three- and nine-month periods due to expanded commercial volumes at our print and promotions operations. International revenues increased from the prior-year periods due to the acquisition of five restaurants in Beijing, China in December 2006 and increased royalty revenues from additional franchised units.

Our income from continuing operations before income taxes totaled $3.8 million and $35.7 million for the three and nine months ended September 30, 2007, compared to income of $19.8 million and $68.8 million for the corresponding periods in 2006 as summarized in the following table on an operating segment basis (in thousands):

	Three Months Ended			Nine Months Ended		
	Sept. 30, 2007	Sept. 24, 2006	Increase (Decrease)	Sept. 30, 2007	Sept. 24, 2006	Increase (Decrease)
Domestic Company-owned restaurants	$ 3,493	$ 5,562	$ (2,069)	$ 19,243	$ 23,012	$ (3,769)
Domestic commissaries	9,661	8,158	1,503	27,592	24,023	3,569
Domestic franchising	11,629	12,130	(501)	36,737	37,881	(1,144)
International	(2,022)	(2,003)	(19)	(6,374)	(6,763)	389
Variable interest entities	(10,707)	5,336	(16,043)	(19,370)	17,027	(36,397)
All others	1,321	1,079	242	4,045	3,796	249
Unallocated corporate expenses	(9,369)	(10,354)	985	(25,150)	(29,172)	4,022
Elimination of intersegment profits	(167)	(110)	(57)	(1,061)	(991)	(70)
Total income from continuing operations before income taxes	$ 3,839	$ 19,798	$ (15,959)	$ 35,662	$ 68,813	$ (33,151)

Excluding the impact of the consolidation of BIBP, third quarter 2007 income from continuing operations before taxes was $14.5 million, which was flat over the 2006 comparable results, and income from continuing operations before income taxes for the nine months ended September 30, 2007, was $55.0 million, an increase of $3.2 million (6.3%) over the 2006 comparable results of $51.8 million. The changes in operating results for the three- and nine-month periods ended September 30, 2007 (excluding the consolidation of BIBP) were principally due to the following (analyzed on an operating segment basis):

- **Domestic Company-owned Restaurant Segment.** Domestic Company-owned restaurants' operating income for the three months ended September 30, 2007 was $3.5 million, or a decrease of $2.1 million, from the comparable 2006 period. For the nine-month period ended September 30, 2007, operating income was $19.2 million, or a decrease of $3.8 million, from the comparable 2006 period. The decline in operating income for the three- and nine-month periods is primarily due to an increase in wages (including the impact of a federal minimum wage increase in July 2007 and certain other minimum wage increases in various states), increased commodity costs and increased marketing expenditures at the local market level. The third quarter 2007 results also include a loss of $500,000 associated with our plan to sell certain Company-owned restaurants in one market. The nine-month period results were favorably impacted by a $594,000 pre-tax gain associated with the termination of a lease arrangement in the second quarter of 2007.

- **Domestic Commissary Segment.** Domestic commissaries' operating income increased approximately $1.5 million and $3.6 million for the three- and nine-month periods ended September 30, 2007,

respectively, principally due to increased volumes of higher margin fresh dough products and improved margin from other commodities.

- **Domestic Franchising Segment.** Domestic franchising operating income decreased $501,000 and $1.1 million for the three- and nine-month periods ended September 30, 2007, respectively, principally due to an increase in our field organizational support staff to improve the performance of our domestic franchise operations. Royalty revenue was flat, as a decrease in equivalent franchise units of approximately 2.0% due to various acquisitions of franchise units by the Company was offset by a reduction in royalty waivers granted to franchisees.

- **International Segment.** The international operating results, which exclude the Perfect Pizza operations in the United Kingdom that were sold in March 2006, reported operating losses of $2.0 million and $6.4 million for the three- and nine-month periods of 2007, respectively, compared to losses of $2.0 million and $6.8 million, respectively, in the same periods of the prior year. The improvement in the operating results for the nine-month period was due to the prior year results including a $470,000 charge incurred in the second quarter of 2006 related to costs associated with management reorganization with one of our international operating units. Increased current year revenues due to growth in number of units and unit volumes were substantially offset by increased personnel and infrastructure investment costs.

- **All Others Segment.** The "All others" reporting segment reported operating earnings of $1.3 million for the third quarter of 2007 and $4.0 million for the first nine months of 2007. The increase of $242,000 in operating income for the three-month period was primarily due to an improvement in the operating results of our print and promotions operations, reflecting an increase in our sales to commercial customers. The increase of $249,000 for the nine-month period was primarily due to improved operating results of our online operation. The nine-month period operating results at our print and promotions operations during 2007 are substantially the same as the 2006 results.

- **Unallocated Corporate Segment.** Unallocated corporate expenses decreased approximately $1.0 million and $4.0 million for the three- and nine-month periods ended September 30, 2007, respectively, as compared to the corresponding periods of 2006. The decreases in both periods are primarily due to lower general and administrative costs, including management incentives (as more fully discussed below), health insurance and legal costs. The nine-month period decrease was also impacted by the collection of a $650,000 receivable, which had previously been reserved, from Papa Card, Inc., a nonstock, nonprofit corporation, which administers the Papa John's gift card program.

  The following table summarizes our recorded expense (income) associated with our management incentive programs (in thousands):

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2007	Sept. 24, 2006	Sept. 30, 2007	Sept. 24, 2006
Stock options	$ 1,193	$ 1,187	$ 3,048	$ 3,069
Restricted stock	511	71	759	119
Performance unit plan	(57)	856	(207)	2,209
Management incentive bonus plan	1,200	1,587	2,950	5,539
Total expense	$ 2,847	$ 3,701	$ 6,550	$ 10,936
Decrease	$ (854)		$ (4,386)	

  Stock option expense relates to options granted from January 2005 to August 2007. At September 30, 2007, there was $5.3 million of unrecognized compensation cost related to non-vested option awards, which we expect to recognize through June 2010.

  During 2007, the Company awarded 124,000 shares of performance-based restricted stock to certain employees with a performance and vesting period of three years. Remaining unrecognized compensation expense on restricted shares granted in 2006 and 2007 totals $3.7 million and will be expensed through May 2010, subject to meeting performance criteria.

  The decrease in the executive performance unit incentive plan expense for the three- and nine-month periods of 2007, as compared to the corresponding prior year periods, was primarily due to the forfeiture of units associated with certain executive departures and the change in the Founder Chairman's status from an employee director of the Company to a non-employee director during the second quarter of 2007.

  The annual management incentive bonus plan is based on the Company's annual operating income performance and certain sales measures as compared to pre-established targets. The decrease in the expense for the three- and nine-month periods in 2007, as compared to the corresponding prior year periods, was principally due to updated sales and operating income projections for the full year and the transition of the Founder Chairman to a non-employee director status.

  Net interest expense included in the unallocated corporate segment, increased approximately $1.0 million and $3.5 million for the three- and nine-month periods ended September 30, 2007, respectively, as compared to the corresponding 2006 periods, principally due to a higher average debt balance resulting from share repurchase activity under our share repurchase program and franchise restaurant acquisitions during the last twelve months. The increase in net interest costs was offset, in this operating segment, by an increase in allocations to the operating units receiving corporate support for the three and nine months ended September 30, 2007, as compared to the corresponding periods of 2006, partially due to an increase in the number of Company-owned restaurants.

The effective income tax rate was 29.9% for the nine months ended September 30, 2007, compared to 36.1% in the corresponding 2006 period. During the third quarters of 2007 and 2006, the Company recorded reductions of $2.4 million and $950,000, respectively, in its customary income tax expense due to the finalization of certain income tax issues.

Diluted earnings per share from continuing operations were $0.16 (including a $0.23 per diluted share loss from the consolidation of BIBP) in the third quarter of 2007, compared to $0.40 (including a $0.09 per diluted share gain from the consolidation of BIBP) in the third quarter of 2006. For the nine months ended September 30, 2007, diluted earnings per share from continuing operations were $0.82 per share (including a $0.41 per diluted share loss from the consolidation of BIBP), compared to $1.32 per share (including a $0.31 per diluted share gain from the consolidation of BIBP) for the comparable period in 2006. In 1999, we began a repurchase program for our common stock. Through September 30, 2007, an aggregate of $664.1 million has been repurchased since inception of the program (representing 40.3 million shares, at an average price of $16.47 per share). The repurchase activity increased earnings per share from continuing operations by approximately $0.01 for the nine-month period ended September 30, 2007 (no impact on the third quarter of 2007).

Review of Operating Results

Revenues. Domestic Company-owned restaurant sales were $126.6 million for the three months ended September 30, 2007, compared to $107.8 million for the same period in 2006, and $368.3 million for the nine months ended September 30, 2007, compared to $320.0 million for the same period in 2006. The increases for the three- and nine-month periods were primarily due to increases of 19.1% and 17.8%, respectively, in equivalent Company-owned units, reflecting the acquisition of 54 restaurants during the last five months of 2006 and 61 restaurants during the first nine months of 2007. Our Company-owned restaurants reported an increase in comparable sales of 0.5% for the three months ended September 30, 2007 and a decrease in comparable sales of 0.1% for the nine months ended September 30, 2007.

Variable interest entities restaurant sales include restaurant sales for certain franchise entities to which we have extended loans. Revenues from these restaurants totaled $1.9 million and $5.2 million for the three and nine months ended September 30, 2007, respectively, as compared to $1.3 million and $6.5 million for the three and nine months ended September 24, 2006, respectively. During the third quarter of 2007, we began consolidating an entity with five restaurants and $2.4 million in annual revenues as a result of loans provided to this franchisee. We have no further lending commitments to this franchisee. During the third quarter of 2006, one of our franchisees, with seven restaurants and annual revenues approximating $4.0 million, sold its restaurants to a third party, which eliminated the VIE classification of such restaurants under FIN 46, and the related consolidation of its operating results at the time of the sale.

Domestic franchise sales for the three and nine months ended September 30, 2007 decreased 1.8% to $352.6 million and decreased 2.1% to $1.093 billion, from $359.1 million and $1.116 billion for the same periods in 2006, primarily resulting from decreases of 2.0% and 1.9% in equivalent franchise units for the three- and nine-month periods ended September 30, 2007, respectively. The decrease in equivalent units reflects the previously mentioned divestiture of 54 franchised restaurants during the last five months of 2006 and 61 restaurants during the first nine months of 2007. Domestic franchise comparable sales were flat and negative 0.3% for the three and nine months ended September 30, 2007, respectively. Domestic franchise royalties were $13.2 million and $41.4 million for the three and nine months ended September 30, 2007, respectively, which were substantially the same as the prior comparable periods. The decrease in domestic franchise sales resulting from the decrease in equivalent units was offset by a reduction in royalty waivers in both the three- and nine-month periods.

Average weekly sales for comparable units include restaurants that were open throughout the periods presented below. The comparable sales base for Company-owned and franchised restaurants, respectively, includes restaurants acquired by the Company or divested to franchisees, as the case may be, during the previous twelve months. Average weekly sales for other units include restaurants that were not open throughout the periods presented below and include non-traditional sites such as Six Flags theme parks and Live Nation concert amphitheaters. The comparable sales base and average weekly sales for 2007 and 2006 for domestic Company-owned and domestic franchised restaurants consisted of the following:

	Three Months Ended			
	September 30, 2007		September 24, 2006	
	Company	Franchised	Company	Franchised
Total domestic units (end of period)	649	2,078	558	2,086
Equivalent units	641	2,028	538	2,069
Comparable sales base units	609	1,898	523	1,948
Comparable sales base percentage	95.0%	93.6%	97.2%	94.2%
Average weekly sales—comparable units	$ 15,432	$ 13,261	$ 15,523	$ 13,229
Average weekly sales—other units	$ 10,673	$ 15,065	$ 11,343	$ 15,278
Average weekly sales—all units	$ 15,191	$ 13,376	$ 15,402	$ 13,349

	Nine Months Ended			
	September 30, 2007		September 24, 2006	
	Company	Franchised	Company	Franchised
Total domestic units (end of period)	649	2,078	558	2,086
Equivalent units	606	2,039	514	2,078
Comparable sales base units	578	1,923	502	1,960
Comparable sales base percentage	95.4%	94.3%	97.7%	94.3%
Average weekly sales—comparable units	$ 15,847	$ 13,730	$ 16,071	$ 13,797
Average weekly sales—other units	$ 10,100	$ 14,038	$ 11,153	$ 13,420
Average weekly sales—all units	$ 15,577	$ 13,748	$ 15,948	$ 13,775

Domestic franchise and development fees were $602,000 for the three months ended September 30, 2007, including approximately $166,500 recognized upon development cancellation or franchise renewal and transfer, compared to $792,000, including $331,000 recognized upon development cancellation or franchise renewal and transfer, for the same period in 2006 and were $1.9 million for the nine months ended September 30, 2007, including approximately $543,600 recognized upon development cancellation or franchise renewal and transfer, and $2.0 million for the same period in 2006. There were 36 and 96 domestic franchised restaurant openings, including the opening of ten and 23 units at Live Nation concert amphitheaters, for the three and nine months ended September 30, 2007, respectively, compared to 26 and 82 openings during the same respective periods in 2006.

Domestic commissary sales were relatively flat for the three months ended September 30, 2007 at $97.8 million and decreased 2.6% to $294.2 million for the nine months ended September 30, 2007, from $301.9 million for the comparable 2006 period primarily due to lower pricing charged to restaurants, primarily cheese. The average equivalent block price per pound of cheese as sold from BIBP to PJ Food Service was $1.497 for the third quarter of 2007 as compared to $1.525 for the same quarter of the prior year and $1.407 for the first nine months of 2007 as compared to $1.518 for the same period of the prior year. Other sales increased to $15.0 million and $46.8 million for the three and nine months ended September 30, 2007, respectively, from $12.5 million and $35.6 million for the comparable periods in 2006, respectively, primarily as a result of expanded commercial volumes at our print and promotions operations.

International revenues, which exclude the Perfect Pizza discontinued operations sold in March 2006, consist primarily of the PJUK continuing operations, denominated in British Pounds Sterling and converted to U.S. dollars (approximately 64% of international revenues in 2007). International revenues were

$7.8 million and $21.9 million for the three and nine months ended September 30, 2007, respectively, compared to $5.8 million and $16.3 million for the comparable periods in 2006, respectively, primarily due to the acquisition of five restaurants in Beijing, China in December 2006, increased commissary sales at our PJUK subsidiary, and higher royalty revenue from additional franchise units.

Costs and Expenses. The restaurant operating margin for domestic Company-owned units was 16.0% and 18.6% for the three and nine months ended September 30, 2007, respectively, compared to 20.4% and 22.4% for the same periods in 2006. Excluding the impact of consolidating BIBP, the restaurant operating margin decreased 1.2% to 18.1% in the third quarter of 2007 from 19.3% in the same quarter of the prior year, and decreased 1.3% to 20.0% for the nine months ended September 30, 2007 from 21.3% in the corresponding period of 2006, consisting of the following differences:

- Cost of sales decreased 0.1% and 0.2% for the three- and nine-month periods ended September 30, 2007, respectively, compared to the same periods in 2006, as an increase in commodity costs was more than offset by an increase in average ticket price.

- Salaries and benefits were 0.4% and 0.5% higher as a percentage of sales for the three and nine months ended September 30, 2007, respectively, compared to the 2006 corresponding periods, reflecting increased labor costs, including the impact of federal minimum wage increases effective in July 2007 and minimum wage increases in certain states.

- Advertising and related costs were 10.3% and 9.5% of sales in the three-month periods, respectively, and were 0.6% and 0.3% higher for the three- and nine-month periods in 2007, respectively, as compared to the corresponding periods in 2006. The increases were due to increased expenditures at the local market level.

- Occupancy costs and other operating costs, on a combined basis, as a percentage of sales, were 0.3% and 0.7% higher in 2007 for the three- and nine-month periods, respectively, due to increases in rent and maintenance expense as well as an increase in credit card expenses associated with increased use by our customers.

Domestic commissary and other margin was 10.8% and 11.1% for the three and nine months ended September 30, 2007, respectively, compared to 10.2% and 10.3% for the same periods in 2006. Cost of sales was 71.8% of revenues for the three months ended September 30, 2007, compared to 72.2% for the same period in 2006, and

71.5% for the nine months ended September 30, 2007, compared to 72.7% for the same period in 2006. The decreases are primarily due to increased volumes and higher margins on certain products. The nine-month decrease in cost of sales was also impacted by the mix of higher margin fresh dough products sold during the first quarter of 2007. Salaries and benefits were 7.7% and 7.8% of revenues for the three and nine months ended September 30, 2007 as compared to 7.2% and 6.9% for the same periods in 2006. The increases are due to additional staff to support additional volumes for our commissary and print operations. Other operating expenses decreased to 9.7% of sales for both the three- and nine-month periods in 2007 from 10.4% and 10.1% in the corresponding periods in 2006. The decreases in the three- and nine-month periods are due to the leverage from increased sales, primarily at our print and promotions operations.

The pre-tax loss (income) from the franchise cheese-purchasing program, net of minority interest, was a loss of $7.9 million for the three months ended September 30, 2007 compared to income of $4.3 million for the comparable period in 2006. For the nine months ended September 30, 2007, the Company recorded a pre-tax loss of $14.0 million compared to income of $14.1 million for the comparable period in 2006. These results only represent the portion of BIBP's operating income related to the proportion of BIBP cheese sales to franchisees. The total impact of the consolidation of BIBP on Papa John's pre-tax income from continuing operations consisted of losses of $10.7 million and $19.4 million for the three- and nine-month periods ended September 30, 2007, and income of $5.3 million and $17.0 million for the comparable periods in 2006.

International operating margin was approximately $724,000 and $1.7 million for the three and nine months ended September 30, 2007, respectively, as compared to operating losses of $42,000 and $118,000 for the corresponding periods in 2006. The increased margins reflect an improvement in our United Kingdom subsidiary and the addition of our Beijing, China operations, which were purchased in December 2006.

General and administrative (G&A) expenses were $27.3 million or 10.4% of revenues, for the three months ended September 30, 2007 compared to $26.4 million or 11.0% of revenues in the same period of 2006, and $77.9 million, or 10.0% of revenues, for the nine months ended September 30, 2007, compared to $77.1 million, or 10.6% of revenues, for the same period in 2006. The increase of $900,000 for the three-month period is primarily attributable to increases in the development of our support infrastructure for our commissary, international and print and promotions operations, partially offset by decreases in management incentives, insurance and legal costs. For the nine-month period, G&A expenses were impacted by the same factors as discussed for the quarter, even though the total expense was substantially the same in both nine-month periods.

Minority interests and other general expenses (income) reflected net expense of $1.2 million and $4.1 million for the three and nine months ended September 30, 2007, respectively, compared to $182,000 and $3.2 million, respectively, for the comparable periods in 2006 as detailed below (in thousands):

	Three Months Ended			Nine Months Ended		
	Sept. 30, 2007	Sept. 24, 2006	Increase (Decrease)	Sept. 30, 2007	Sept. 24, 2006	Increase (Decrease)
Minority interests	$ 167	$ 155	$ 12	$ 1,203	$ 1,157	$ 46
Disposition and valuation-related costs of other assets	868	(230)	1,098	2,205	926	1,279
Gain associated with a terminated lease arrangement	—	—	—	(594)	—	(594)
Provision for uncollectible accounts and notes receivable, net of recoveries	236	126	110	590	843	(253)
Pre-opening and other	(85)	131	(216)	318	282	36
Contribution to Marketing Fund	—	—	—	400	—	400
Total minority interests and other general expenses	$ 1,186	$ 182	$ 1,004	$ 4,122	$ 3,208	$ 914

The previously mentioned charge of $500,000 during the third quarter of 2007 associated with our plan to sell four restaurants in one market is included in disposition and valuation-related costs of other assets. As previously discussed, the Company recorded a $594,000 gain associated with the termination of a lease arrangement in the second quarter of 2007. The Company made a $400,000 contribution to the Papa John's Marketing Fund in the first quarter of 2007 to assist the system with certain national advertising costs.

Depreciation and amortization was $7.9 million (3.0% of revenues) for the three months ended September 30, 2007 compared to $6.7 million (2.8% of revenues) for the comparable period in 2006 and $23.4 million (3.0% of revenues) for the nine months ended September 30, 2007 compared to $19.8 million (2.7% of revenues) for the comparable period in 2006. The increase in depreciation expense is principally due to the capital additions we have made within our restaurant operations, including the previously mentioned acquisitions over the last 12 months, and in our print and promotions operations.

Net interest. Net interest expense was $1.7 million in the third quarter of 2007 as compared to $629,000 in 2006, and $4.2 million for the nine months ended September 30, 2007, compared to $1.3 million for the comparable period in 2006. The increase in net interest expense reflects the increase in our average outstanding debt balance resulting from share repurchase activity under our share repurchase program and franchise restaurant acquisitions during the last 12 months.

Income Tax Expense. The effective income tax rate was 29.9% and 36.1% for the nine months ended September 30, 2007 and September 24, 2006, respectively. The lower effective tax rate in 2007 is primarily due to the finalization of certain income tax issues.

Liquidity and Capital Resources

Our debt is comprised of the following (in thousands):

	September 30, 2007	December 31, 2006
Revolving line of credit	$ 124,500	$ 96,500
Debt associated with VIEs *	14,400	525
Other	8	11
Total debt	138,908	97,036
Less: current portion of debt	(14,400)	(525)
Long-term debt	$ 124,508	$ 96,511

* The VIEs' third-party creditors do not have any recourse to Papa John's.

The revolving line of credit allows us to borrow up to $175.0 million with an expiration date of January 2011. Outstanding balances accrue interest at 50.0 to 100.0 basis points over the London Interbank Offered Rate ("LIBOR") or other bank developed rates at our option. The commitment fee on the unused balance ranges from 12.5 to 20.0 basis points. The increment over LIBOR and the commitment fee are determined quarterly based upon the ratio of total indebtedness to earnings before interest, taxes, depreciation and amortization ("EBITDA"), as defined.

Cash flow from operating activities from continuing operations was $47.2 million in the first nine months of 2007 compared to $67.9 million for the same period in 2006. The consolidation of BIBP decreased cash flow from operations by $19.4 million in 2007 and increased cash flow from operations by $17.0 million in the corresponding 2006 period (as reflected in the net income and deferred income taxes captions in the accompanying Consolidated Statements of Cash Flows). Excluding the impact of the consolidation of BIBP, cash flow from continuing operations for the first nine months of 2007 increased $15.7 million, as compared to the corresponding 2006 period, primarily due to an increase in net income, and an improvement in working capital including accounts receivable, inventories and other liabilities.

We require capital primarily for the development, acquisition, renovation and maintenance of restaurants, the development, renovation and maintenance of commissary and print and promotions facilities and equipment and the enhancement of corporate systems and facilities. Additionally, we began a common stock repurchase program in 1999. During the nine months ended September 30, 2007, common stock repurchases of $61.9 million, capital expenditures of $23.1 million and acquisitions of $25.0 million were funded primarily by cash flow from operations, proceeds from stock option exercises, access to our revolving line of credit and from available cash and cash equivalents.

Our Board of Directors has authorized the repurchase of up to an aggregate $675.0 million of our common stock through December 30, 2007. As of September 30, 2007, a total of 40.3 million shares have been repurchased for $664.1 million at an average price of $16.47 per share since the repurchase program started in 1999. Subsequent to September 30, 2007 (through October 31, 2007), we acquired an additional 471,000 shares at a cost of $10.9 million. As of October 31, 2007, the existing authorization is complete.

We expect to fund planned capital expenditures and any additional share repurchases of our common stock (subject to Board of Directors approval) for the remainder of 2007 from operating cash flows and the $26.4 million remaining availability under our line of credit, which is reduced for certain outstanding letters of credit.

Forward-Looking Statements

Certain information contained in this quarterly report, particularly information regarding future financial performance and plans and objectives of management, is forward-looking. Certain factors could cause actual results to differ materially from those expressed in forward-looking statements. These factors include, but are not limited to: the uncertainties associated with litigation; changes in pricing or other marketing or promotional strategies by competitors which may adversely affect sales; new product and concept developments by food industry competitors; the ability of the Company and its franchisees to meet planned growth targets and operate new and existing restaurants profitably; general economic conditions; increases in or sustained high cost levels of food ingredients and other commodities, paper, utilities, fuel, employee compensation and benefits, insurance and similar costs; the ability to obtain ingredients from alternative suppliers, if needed; health- or disease-related disruptions or consumer concerns about commodities supplies; the selection and availability of suitable restaurant locations; negotiation of suitable lease or financing terms; constraints on permitting and construction of restaurants; local governmental agencies' restrictions on the sale of certain food products; higher-than-anticipated construction costs; the hiring, training and retention of management and other personnel; changes in consumer taste, demographic trends, traffic patterns and the type, number and location of competing restaurants; franchisee relations; the timing of franchise agreement renewals; the possibility of impairment charges if PJUK or recently acquired restaurants perform below our expectations; federal and state laws governing such matters as wages, benefits, working conditions, citizenship requirements and overtime, including legislation to further increase the federal and state minimum wage; and labor shortages in various markets resulting in higher required wage rates. The above factors might be especially harmful to the financial viability of franchisees or Company-owned operations in under-penetrated or emerging markets, leading to greater unit closings than anticipated. Increases in projected claims losses for the Company's self-insured coverage or within the captive franchise insurance program could have a significant impact on our operating results. Additionally, domestic franchisees are only required to purchase seasoned sauce and dough from our quality control centers ("QC Centers") and changes in purchasing practices by domestic franchisees could adversely affect the financial results of our QC Centers. Our international operations are subject to additional factors, including political and health conditions in the countries in which the Company or its franchisees operate; currency regulations and fluctuations; differing business and social cultures and consumer preferences; diverse government regulations and structures; ability to source high-quality ingredients and other commodities in a cost-effective manner; and differing interpretation of the obligations established in franchise agreements with international franchisees. See "Part I. Item 1A. - Risk Factors" of the Annual Report on Form 10-K for the fiscal year ended December 31, 2006 for additional factors.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our debt at September 30, 2007 was principally comprised of a $124.5 million outstanding principal balance on the $175.0 million unsecured revolving line of credit. The interest rate on the revolving line of credit is variable and is based on LIBOR plus a 50.0 to 100.0 basis point spread, tiered based upon debt and cash flow levels.

We have two interest rate swap agreements that provide for fixed rates of 4.98% and 5.18%, as compared to LIBOR, on the following amount of floating rate debt:

	Floating Rate Debt	Fixed Rates
The first interest rate swap agreement:		
March 15, 2006 to January 16, 2007	$ 50 million	4.98%
January 16, 2007 to January 15, 2009	$ 60 million	4.98%
January 15, 2009 to January 15, 2011	$ 50 million	4.98%
The second interest rate swap agreement:		
March 1, 2007 to January 31, 2009	$ 30 million	5.18%

The effective interest rate on the line of credit, including the impact of the two interest rate swap agreements, was 5.69% as of September 30, 2007. An increase in the present interest rate of 100 basis points on the line of credit balance outstanding as of September 30, 2007, as mitigated by the interest rate swap based on present interest rates, would increase interest expense approximately $345,000. The annual impact of a 100 basis point increase in interest rates on the third-party debt associated with BIBP would be $144,000.

Substantially all of our business is transacted in U.S. dollars. Accordingly, foreign exchange rate fluctuations do not have a significant impact on our operating results.

Cheese costs, historically representing 35% to 40% of our total food cost, are subject to seasonal fluctuations, weather, availability, demand and other factors that are beyond our control. As previously discussed in Results of Operations and Critical Accounting Policies and Estimates, we have a purchasing arrangement with a third-party entity, BIBP, formed at the direction of our Franchise Advisory Council for the sole purpose of reducing cheese price volatility to domestic system-wide restaurants. Under this arrangement, domestic Company-owned and franchised restaurants are able to purchase cheese at a fixed price per pound throughout a given quarter, based in part on historical average cheese prices. Gains and losses incurred by BIBP are used as a factor in determining adjustments to the selling price to restaurants over time. Accordingly, for any given quarter, the price paid by the domestic Company-owned and franchised restaurants may be less than or greater than the prevailing average market price.

As a result of the adoption of FIN 46, Papa John's began consolidating the operating results of BIBP in 2004. Consolidation accounting requires the portion of BIBP operating income (loss) related to domestic Company-owned restaurants to be reflected as a reduction (increase) in the "Domestic Company-owned restaurant expenses — cost of sales" line item, thus reflecting the actual market price of cheese had the purchasing arrangement not existed. The consolidation of BIBP had a significant impact on the first nine months of 2007 as well as the first nine months of 2006 and is expected to have a significant impact on future operating results in any given reporting period depending on the prevailing spot block market price of cheese as compared to the price charged to domestic restaurants. Over time, we expect BIBP to achieve break-even financial results.

The following table presents the actual average block price for cheese and the BIBP block price by quarter as projected through the third quarter of 2008 (based on the October 31, 2007 Chicago Mercantile Exchange ("CME") milk futures market prices) and the actual prices in 2006 and 2007 to date:

	2008		2007		2006	
	BIBP Block Price	Actual Block Price	BIBP Block Price	Actual Block Price	BIBP Block Price	Actual Block Price
Quarter 1	$ 1.598*	$ 1.671*	$ 1.344	$ 1.341	$ 1.548	$ 1.268

Quarter 2	1.638 *	1.607 *	1.379	1.684	1.482	1.182
Quarter 3	1.703 *	1.641 *	1.497	1.969	1.525	1.215
Quarter 4	N/A	N/A	1.570	1.881 *	1.447	1.306
Full Year	N/A	N/A	$ 1.448	$ 1.719 *	$ 1.501	$ 1.243

* Amounts are estimates based on futures prices.
N/A - - not available

The following table presents the 2006 impact by quarter on our pre-tax income due to consolidating BIBP (in thousands):

	Actual 2006
Quarter 1	$ 5,389
Quarter 2	6,303
Quarter 3	5,336
Quarter 4	1,959
Full Year	$ 18,987

Additionally, based on the CME milk futures market prices as of October 31, 2007, and the actual third quarter and projected fourth quarter of 2007 and first and second quarters of 2008, cheese costs to restaurants as determined by the BIBP pricing formula, the consolidation of BIBP is projected to decrease our 2007 pre-tax income as follows (in thousands):

Quarter 1—2007	$ (406)
Quarter 2—2007	(8,257)
Quarter 3—2007	(10,707)
Quarter 4—2007	(7,686)*
Full Year—2007	$ (27,056)*
Quarter 1—2008	$ (1,818)*
Quarter 2—2008	$ 780 *
Quarter 3—2008	$ 1,543 *

* The projections above are based upon current futures market prices. Historically, actual results have been subject to large fluctuations and have differed significantly from previous projections using the futures market prices.

Over the long term, we expect to purchase cheese at a price approximating the actual average market price and therefore we do not generally make use of financial instruments to hedge commodity prices.

Item 4. Controls and Procedures

Our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended ("1934 Act")), as of the end of the period covered by this report. Based upon their evaluations, the CEO and CFO concluded that the disclosure controls and procedures are effective to provide reasonable assurance that all required information relating to us is included in this quarterly report.

We also maintain a system of internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the 1934 Act) designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. During our most recent fiscal quarter, there have been no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to claims and legal actions in the ordinary course of our business. We believe that all such claims and actions currently pending against us are either adequately covered by insurance or would not have a material adverse effect on us if decided in a manner unfavorable to us.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in Part I, Item IA. of our 2006 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Papa John's Board of Directors has authorized the repurchase of up to $675.0 million of common stock under a share repurchase program that began in 1999, and runs through December 30, 2007. Through September 30, 2007, a total of 40.3 million shares with an aggregate cost of $664.1 million and an average price of $16.47 per share has been repurchased under this program. The following table summarizes our repurchases by fiscal period during the first nine months of 2007 (in thousands, except per-share amounts):

Fiscal Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs

01/01/2007 - 01/28/2007	732	$	29.00	38,837	$	51,598
01/29/2007 - 02/25/2007	61	$	27.93	38,898	$	49,897
02/26/2007 - 04/01/2007	87	$	30.31	38,985	$	47,267
04/02/2007 - 04/29/2007	82	$	29.81	39,067	$	44,807
04/30/2007 - 05/27/2007	33	$	30.95	39,100	$	43,795
05/28/2007 - 07/01/2007	228	$	29.78	39,328	$	37,016
07/02/2007 - 07/29/2007	209	$	28.93	39,537	$	30,963
07/30/2007 - 08/26/2007	300	$	26.71	39,837	$	22,955
08/27/2007 - 09/30/2007	481	$	25.09	40,318	$	10,900

Subsequent to September 30, 2007 (through October 31, 2007), we acquired an additional 471,000 shares at a cost of $10.9 million. As of October 31, 2007, the existing authorization is complete.

Item 5. Other Information

(a) On November 1, 2007, the Company entered into a new employment agreement (the “Agreement”) with William M. Van Epps, for continued service in the position of President, U.S.A. Mr. Van Epps’ prior employment agreement expired on October 18, 2007. The following summary of the material terms of the Agreement is qualified in its entirety by reference to the text of the Agreement, a copy of which is attached to this Form 10-Q as Exhibit 10.1 and is incorporated herein by reference.

The Agreement provides for the employment of Mr. Van Epps for a term continuing through December 31, 2008, unless the Agreement is terminated earlier in accordance with its terms. The Agreement provides for a base annual salary of $515,000 for service as President, U.S.A., with primary responsibility for all aspects of the Company’s domestic restaurant and other operations; marketing; franchisee relationships; development and execution of certain plans and strategic activities and initiatives of the Company; assistance in the professional development and evaluation of senior management; and customer satisfaction, together with other duties that may be assigned to him from time to time by the Company’s Chief Executive Officer or the Board of Directors. Mr. Van Epps will also be entitled to receive payments under the terms and conditions of such executive incentive compensation programs as may be approved and implemented by the Board of Directors of the Company from time to time.

The Agreement permits Mr. Van Epps to participate in the Company’s deferred compensation plan, 401(k) plan, and medical, dental, life and disability insurance programs, as well as to receive other standard benefits offered by the Company to its employees from time to time, provided that Mr. Van Epps will be entitled to five weeks of vacation annually. The Company has also agreed to pay Mr. Van Epps the amount of $20,000 annually for the purpose of defraying his costs of purchasing additional disability insurance. The Agreement requires Mr. Van Epps to achieve a level of ownership of stock in the Company at least equal to three times his base annual salary not later than December 31, 2010, and provides that Mr. Van Epps must meet certain minimum ownership requirements in the interim. Mr. Van Epps will receive severance benefits under the Agreement if the Company terminates his employment for any reason other than for “cause,” as defined in the Agreement. In that instance Mr. Van Epps would be entitled to receive an amount equal to the greater of the base salary that would be paid to him under the terms of the Agreement or $515,000. Mr. Van Epps agreed to certain non-solicitation and non-competition covenants during the period of the Agreement and for three years after termination of employment, as further described in the Agreement.

Item 6. Exhibits

Exhibit Number	Description
10.1	The Employment Agreement dated as of November 1, 2007, between Papa John’s International, Inc. and William M. Van Epps.
10.2	Agreement for Service as Chairman between John H. Schnatter and Papa John’s International, Inc. Exhibit 10.1 to our report on Form 8-K dated August 9, 2007 is incorporated herein by reference.
10.3	Agreement for Service as Founder between John H. Schnatter and Papa John’s International, Inc. Exhibit 10.2 to our report on Form 8-K dated August 9, 2007 is incorporated herein by reference.
10.4	Exclusive License Agreement between John H. Schnatter and Papa John’s International, Inc. Exhibit 10.3 to our report on Form 8-K dated August 9, 2007 is incorporated herein by reference.
31.1	Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-15(e), As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-15(e), As Adopted 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.
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.

SIGNATURES

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.

PAPA JOHN'S INTERNATIONAL, INC.
(Registrant)

Date: November 6, 2007

/s/ J. David Flanery
J. David Flanery
Senior Vice President and
Chief Financial Officer

Exhibit 10.1

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (“Agreement”) is made by and between WILLIAM VAN EPPS (“Employee”) and PAPA JOHN’S INTERNATIONAL, INC., a corporation organized and existing under the laws of the State of Delaware (“Company”), as of the 1st day of November, 2007 (“Effective Date”).

W I T N E S S E T H:

WHEREAS, Company desires to hire and employ Employee, and Employee desires to be employed by Company, pursuant to the terms and conditions hereinafter provided for.

WHEREAS, Employee’s position with the Company requires that Employee be trusted with extensive responsibility and confidential information of the Company.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in consideration of the mutual covenants and obligations herein contained, the Company and the Employee (individually, a “Party”; together, the “Parties”), intending to be legally bound, agree as follows:

Section 1: Employment and Term

1.1 Employment. Company agrees to and does hereby employ Employee, and Employee agrees to and does hereby accept employment by Company, on the terms and subject to the conditions set forth in this Agreement effective as of the Effective Date.

1.2 Term of Employment. Employee shall be and is hereby employed by Company for a period commencing on the Effective Date and continuing until December 31, 2008 (the “Term”).

1.3 Standard of Services Required. Employee shall (a) devote his full business time and energy to the business and affairs of the Company (and any undertaking by Employee of any additional activities which distract therefrom or provide additional gainful employment shall not be undertaken without first notifying and obtaining approval from the board of directors of Company); (b) perform his duties hereunder diligently and to the best of his ability; (c) use his best efforts, skills and abilities to promote the Company’s interest; and (d) perform such other duties and services for the Company as may be required of him by virtue of his position, or as directed by the CEO or the Board of Directors of the Company (the “Board”), or such senior officer of the Company as may be designated by the Board. Employee agrees to comply, and cause the Company to comply, with all applicable governmental regulations and guidelines which relate to Company products, services, methods and technologies with which Employee’s duties and services are related. Employee also agrees to comply fully with all policies and practices of the Company. The Company recognizes Employee’s position as a Director of Johnny Rockets and agrees that his service on that Board or local charitable or philanthropic boards will not be construed as a violation of this provision, so long as such service is reasonable in scope and dedication of time.

1.4 Position and Duties. Employee shall serve in the position identified on ***SCHEDULE A*** attached hereto and incorporated by reference herein (or such other position of similar responsibility as may be assigned by the CEO or the Board). Employee shall at all times report to, and his business activities shall at all times be subject to the direction and control of the CEO and the Board, or as may be appointed by the Board. Employee’s duties and services include, but are not limited to, those matters identified on said ***SCHEDULE A***.

Section 2: Compensation and Benefits

2.1 Compensation. During the term of Employee’s employment by the Company pursuant to this Agreement, Company shall pay Employee compensation and provide Employee with benefits as follows:

2.1.1 Base Salary. In consideration of the duties and services to be rendered by Employee to Company, Company will pay to Employee a salary (“Base Salary”) in the amount identified as such on ***SCHEDULE A*** hereto. Base Salary shall be payable on a weekly basis or as the Company’s pay practices shall be established or modified from time to time. Base Salary payments shall be subject to all applicable Federal, state and local withholding, payroll and other taxes.

2.1.2 Bonus. Employee will be entitled to receive bonus payments in accordance with the then-existing Bonus Plan for Employee as approved and/or amended by the Compensation Committee of the Board of Directors for each year of the Term. Bonus payments shall be subject to all applicable Federal, state and local withholding, payroll and other taxes. Employee shall also be entitled to participate in the Company’s existing Long Term Incentive Program (“LTIP”) under the terms, conditions, contingencies and vesting criteria applicable to Employee on the date of execution of this Agreement, and he shall be subject to any amendments to the LTIP which may be made and approved by the Board during the Term.

2.2 Employee Benefit Plans. During the term of his employment with Company, Employee shall be entitled to (a) five weeks vacation (b) such sick, holiday and other absences consistent with Company’s policies as established and modified from time to time by the Board; (c) such hospitalization and major medical insurance benefits as are, from time to time, maintained and modified by Company for its employees. Employee’s entitlement to, and participation in, such benefit plans shall be subject to the same eligibility requirements and cost assessment policies as shall apply to other employees who are eligible to participate therein. Any vacation or other paid time off which is not used in any year shall not accrue, nor shall Company be liable for any such benefits not used by Employee prior to the termination of his employment with Company.

2.3 Employee Expenses. Company agrees that it will reimburse Employee for all reasonable business expenses incurred by him during the term of Employee’s employment hereunder, provided that such expenses be incurred in connection with the performance by Employee of his duties hereunder and are incurred and accounted for by Employee in accordance with Company’s policies as established for its employees.

Section 3: Confidentiality and Non-Disclosure

3.1 Non-Disclosure of Confidential Information. Employee acknowledges that during his employment by Company Employee shall have access to and possession of information which (a) is proprietary and confidential; (b) belongs to and represents the sole and exclusive property of the Company and/or its affiliates; and (c) is a unique asset integral to the Business of the Company for which the Company has paid a substantial amount, and the use or disclosure of which contrary to the requirements of this Agreement would cause the Company irreparable harm and damage. Except as otherwise provided for in this Agreement, Employee agrees that, except as authorized in writing by Company and for its benefit, or as required in the performance of his duties hereunder, for himself or others, (a) Employee will not at any time, whether during or after the termination or cessation of Employee's employment, disclose, distribute, or disseminate to any person, firm, partnership, joint venture, corporation, limited liability company, or other entity ("Person"), or make public, any Confidential Information (as defined below); and (b) Employee will keep strictly confidential all matters and information entrusted to the Employee and shall not use or attempt to use any such Confidential

Information in any manner which may injure or cause loss, or may be calculated to injure or cause loss, whether directly or indirectly, to Company.

3.2 Nature and Definition of "Confidential Information". "Confidential Information" means and includes any and all of the following, whether or not patentable, registrable or otherwise susceptible to protection under federal, state or foreign patent, trademark, copyright and other laws:

3.2.1 intellectual property, inventions, concepts, discoveries, improvements, inventions, methods, information, processes, practices, specifications, techniques, products, devices, technologies, data, know-how, and other proprietary rights;

3.2.2 designs, drawings, photographs, graphs, samples, sketches, compositions, computer software and database technologies and applications, computer software and programs (including object code and source code), and related documentation to all of the above;

3.2.3 any trade secrets concerning the Business or affairs of the Company, financial, and operating information, service specifications and concepts, marketing plans, budgets, the names and terms of employment of key personnel, strategies, customer lists, pricing policies and lists, services, and procedures; and

3.2.4 notes, analyses, studies, summaries and other material prepared by or for Company containing or based on, in whole or in part, any information included in the foregoing.

3.3 Permitted Disclosure. If Employee is required (by deposition, interrogatories, requests for information or documents, subpoena, civil investigative domain or other process) to disclose all or any part of any Confidential Information, Employee will first provide Company with prompt notice of such requirement, as well as notice of the terms and circumstances surrounding such requirements, so that Company may seek an appropriate protective order or waive compliance with the provisions of this Agreement in writing. In any event, Employee may only disclose that portion of such Confidential Information as he is advised in writing by his and the Company's legal counsel as being required to be disclosed.

3.4 Destruction or Return on Termination. Upon termination of Employee's employment hereunder, Employee shall, upon request of Company, return to Company all writings and materials comprising any part of the Confidential Information without retaining any copies, extracts or other reproductions thereof; and, to the extent not returned to Company, Employee will certify in writing to Company any such materials or writings which were destroyed by him.

Section 4: Ownership of Employee Inventions

4.1 Inventions and Related Matters. Employee agrees that Company shall have sole and exclusive ownership rights in any conception, ideas, invention, improvement, or know-how (whether or not patentable) arising out of, resulting from, or derivative of Employee's duties and services as an employee of Company or undertaken within the scope of Employee's duties hereunder. Any resulting or derivative rights, including patent, trademark, service mark or other rights, shall be and become the exclusive property of Company and Company shall be exclusively entitled to the entire right, title and interest existing with respect hereto. In furtherance thereof, at Company's request, Employee agrees to convey and assign to Company the entire right, title and interest of Employee, if any, in and to any conceptions, ideas, inventions, improvements, or know-how which arise out of, result from, or are derivative of, Employee's duties and services as an employee of Company or undertaken within the scope of his duties hereunder.

4.2 Original Works. Any work subject to protection under applicable copyright laws (including, but not limited to, software code and applications), whether published or unpublished, created by Employee in connection with or during the performance of his duties or services hereunder shall be considered a work made for hire to the fullest extent permitted by law, and all right, title and interest therein, including the worldwide copyrights, shall be the sole and exclusive property of Company as the employer and party specially commissioning such work. In the event that any such copyrightable work or portion thereof shall not be legally qualified as a work made for hire or shall subsequently be so held, Employee agrees to properly convey to Company the entire right, title and interest in and to such work or portion thereof, including but not limited to the worldwide copyrights, extensions of such copyrights, and renewal copyrights therein, and further including all rights to reproduce the copyrighted work, to prepare derivative works based on the copyrighted work, to distribute copies of the copyrighted work, to display the copyrighted work, and to register the claim of copyright therein and to execute any and all documents with respect hereto.

4.3 Employee Assistance. Employee agrees (a) to disclose to Company in writing any matters created or authored by him which are, or are intended to be, the property of Company pursuant to the provisions of this Section 4; (b) to assign to Company without additional compensation all of Employee's rights, if any, therein; and (c) to execute and deliver to Company such applications, assignments and other documents as Company may reasonably request in order to apply for and obtain patents, copyrights, or other registrations with respect thereto.

Section 5: Employee's Conduct; Non-Contravention

5.1 Employee's Conduct. In order to maintain and enhance Company's standing and integrity in the business community, the business and personal conduct of Employee shall be totally professional and above reproach; and Employee shall at all times observe the highest standards of professionalism and courtesy in Employee's behavior with the public, colleagues, employees, customers and competitors.

5.2 Non-Contravention. Employee represents and warrants that he is under no obligation to, and/or no conflict or non-compete agreements or understandings exist with, any person which are in any way inconsistent with, or which impose any restriction upon, Employee's acceptance of employment under this Agreement with the Company. Employee is not in default under, or in breach of, any agreement requiring Employee to preserve the confidentiality of any information, client lists, trade secrets or other confidential information; and neither the execution and delivery of this Agreement nor the performance by Employee of Employee's obligations under this Agreement will conflict with, result in a breach of, or constitute a default under, any employment or confidentiality agreement to which Employee is a party or to which Employee may be subject.

Section 6: Non-Competition and Non-Solicitation

6.1 Acknowledgments by Employee. Employee acknowledges that: (a) the services to be performed by him under this Agreement are of a special, unique, unusual and intellectual character; (b) Company's Business is, or is expected to be, national in scope, Company's processes and technologies having wide application throughout the nation; (c) Company competes with persons having access to markets and capital similar or superior to that possessed by the Company; (d) the restrictive covenants applicable to Employee will not prevent Employee from obtaining other gainful employment after separating from Company; (e) the provisions of this Section are reasonable and necessary in order to protect Company's Business; and (f) Employee has consulted with, or been advised by the Company that he should consult with, an independent legal counsel concerning the undertakings of the Employee set forth in, and the provisions of, this Agreement.

6.2 Covenants of Employee. In consideration of the foregoing acknowledgments by Employee, and in consideration of the compensation and benefits to be paid or provided to Employee by Company, Employee covenants and agrees that he will not, directly or indirectly:

6.2.1 during the period of, and except in the course of, his employment hereunder, and for three (3) years after termination of employment hereunder, on behalf of himself or any person, engage or invest in, solicit investment in, own, manage, operate, finance, control, be employed by or associated with, provide services or advice to, be a director of, or participate in the ownership, management, operation, or development of, or otherwise be associated or connected with, [a] any business which directly or indirectly operates pizza restaurants, [b] any food service manufacturing and/or distribution business which serves any pizza restaurant chains with 400 or more restaurants at any time during Employee's tenure with the Company, [c] any other food or restaurant business which the Company may develop or acquire during Employee's tenure with the Company or [d] any business that is competitive with the Company or its affiliates; provided, however, that nothing herein will preclude Employee from owning and holding not more than one percent (1%) of any class of securities of any enterprise if such securities are listed on any national or regional exchange or have been registered under Section 12(g) of the Securities Act of 1934; or

6.2.2 without the prior written consent of Company, during the period of, and except in the course of, his employment hereunder, and for three (3) years after termination of employment hereunder solicit any of Company's direct or remote clients, suppliers, contractors, employees or other related parties; or

6.2.3 except on behalf of the Company, whether for the Employee's account or for the account of any other person, at any time during the period of his employment hereunder, and for three (3) years after termination of employment hereunder, solicit the patronage of any person if such person is a customer or prospective customer of the Company, or was a customer of the Company during any time within 12 months prior to termination of employment, whether or not Employee had personal contact with such person during the term of his employment by the Company.

Section 7: Termination

7.1 Termination by the Company. Employee's employment with Company under this Agreement, and Employee's rights to compensation and benefits under this Agreement or otherwise, shall terminate (except as otherwise herein provided) as follows:

7.1.1 Death or Disability. This Agreement and Employee's engagement hereunder shall terminate upon the death of Employee. If Employee becomes substantially unable to perform the essential duties and functions of his position under this Agreement with or without reasonable accommodation for a period of sixty (60) days or more during the Term because of a disability or any medically determinable physical or mental impairment, Company may, at its election, terminate Employee's employment hereunder and all of Company's obligations relating thereto, including any obligations it may have under this Agreement, by giving Employee ten (10) days prior written notice. Upon termination pursuant to this Section, Employee shall not be entitled to any Base Salary, Bonus, severance salary, or any other benefits, except for amounts accrued and earned prior to the effective date of termination and except for those, if any, required to be extended by applicable law.

7.1.2 Termination By Company For "Cause". Company may, immediately and unilaterally, terminate Employee's employment hereunder for "cause" at any time. Termination shall be for "cause" if it is based on any of the following: (i) indictment or conviction of Employee of any felony, or of any misdemeanor reasonably determined by the Company to involve moral turpitude; (ii) Employee's acts or

omissions involving willful or intentional malfeasance or misconduct that is, or may reasonably be expected to be, injurious to the Company, its business, reputation, prospects, or otherwise; (iii) commission of any act of fraud or embezzlement against Company; (iv) inability to legally perform his duties for any reason in the Louisville, Kentucky area; (v) failure to operate substantially within the budget of the Company as adopted by the board of directors of the Company; and (vi) any act or omission by Employee constituting a material breach of Employee's obligations under this Agreement. In the event of a termination for "cause" pursuant to the provisions of this Section, Employee shall not be entitled to any Base Salary, Bonus, severance salary, or any other benefits, except for amounts accrued prior to the effective date of termination and except for those, if any, required to be extended by applicable law.

7.1.3 Termination By Company Without "Cause". The Company may, in its sole and exclusive discretion, immediately and unilaterally, terminate the Employee's employment hereunder at any time prior to the expiration of the Term without cause by giving Employee ten (10) days' advance written notice of Company's election to terminate. Employee shall not thereafter be entitled to any Base Salary, Bonus, Vacation pay or any other benefits, except for the following:

7.1.3.1 those benefits, if any, required to be extended by applicable law;

7.1.3.2 an amount equal to the greater of the base salary which would be paid to Employee under the terms of this Agreement or $515,000.

7.2 Termination By Employee. Employee may, immediately and unilaterally, terminate his employment hereunder at any time prior to the expiration of the Term by giving the Company ten (10) days' advance written notice of Employee's election to terminate. Upon termination by Employee, Employee shall not be entitled to any further Base Salary, Discretionary, severance salary or other benefits, except for amounts accrued prior to the effective date of termination and except for those, if any, required to be extended by applicable law.

7.3 Effect of Termination. Upon termination of Employee's employment hereunder, the obligations and commitments of Employee set forth in Sections 3 and 6, and the provisions of Sections 4, 8 and 9, shall continue in effect and survive termination.

7.4 Expiration of the Term; Renewal of Agreement. Upon the expiration of the Term, Employee shall not be entitled to any Base Salary, Bonus, severance salary, or any other benefits, except for amounts accrued prior to the effective date of termination and except for those, if any, required to be extended by applicable law. This Agreement shall not automatically renew.

Section 8: Notice

Any notice or other communication under this Agreement shall be in writing and shall be deemed to have been given when delivered personally against receipt therefor; two days after being sent by Federal Express or similar overnight delivery; or three days after being mailed registered or certified mail, postage prepaid, to a Party hereto at the address set forth beneath such Party's signature below, or to such address as such Party shall give by notice hereunder to the other Party to this Agreement.

Section 9: Miscellaneous

9.1 Governing Law. This Agreement shall be governed by and construed in accordance with the substantive laws of the Commonwealth of Kentucky and the laws of the United States. No conflicts of law or similar rule or law that might refer the governance and construction of this Agreement to the laws of another state, republic or country shall be considered.

9.2 Dispute Resolution. Pursuant to the Federal Arbitration Act, any claim or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement, or statutory or common law disputes arising out of the employment relationship and/or its termination, including, without limitation, all Title VII, FMLA, FLSA, ADEA, ADA and ERISA claims, must be brought as a claim in arbitration under the National Rules for the Resolution of Employment Disputes of the American Arbitration Association then in effect ("AAA Rules"). Any such arbitration proceeding must be heard in Louisville, Kentucky, and will be governed by the AAA Rules. The arbitrator shall be governed by the laws as would apply in any federal court within the Commonwealth of Kentucky. The decision of the arbitrator would be final and binding and all expenses of the arbitrator and arbitration would be borne equally by the Company and the Employee. Each of the Parties hereto consents to the application of AAA Rules and waives any objection as to venue or jurisdiction. Process in any action or proceeding referred to in the preceding sentence may be served on any Party anywhere in the world. Notwithstanding anything in the foregoing to the contrary, the Company and Employee agree that before instituting formal proceedings under the AAA Rules, the aggrieved party must submit the claim or dispute to non-binding mediation. The selection of the mediator would be the prerogative of the aggrieved party and the costs of such mediation would be shared equally by the Company and the Employee.

9.3 Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable for any reason, such provision shall be deemed to be severable, and this Agreement shall otherwise continue in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

9.4 Assignments; Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, including any entity which acquires all or substantially all of the Company's assets to which the Company's rights and obligations hereunder are assigned. This Agreement shall be binding upon and inure to the benefit of the Employee and his personal representatives, but the obligations undertaken herein by Employee shall not and may not be transferred or assigned and any purported transfer or assignment thereof shall be null and void *ab initio*.

9.5 Entire Agreement; Modifications. This Agreement contains the entire agreement and understanding of the Parties with respect to the subject matter hereof, supersedes any prior agreements and understandings with respect thereto, and cannot be modified, amended or waived, in whole or in part, except in writing signed by the Party or Parties to be charged. Any such purported modification, amendment or waiver shall be null and void absent such writing.

9.6 Waivers. A discharge of the terms of this Agreement shall not be deemed valid unless by full performance by the Parties or unless corroborated by a writing signed by the Parties. A waiver by Company of any breach by Employee of any provision or condition provided for in this Agreement to be performed or observed by Employee shall not be deemed a waiver of any similar or dissimilar provisions or conditions at the same or any prior or subsequent time. The Parties covenant and agree that if a Party fails or neglects for any reason to take advantage of any of the terms, remedies or rights provided for in this Agreement or under applicable law, such failure or neglect shall not be deemed a waiver of any such terms, remedies or rights subsequently arising, or as a waiver of any of the terms, covenants or conditions of this Agreement or the requirement for performance or observance thereof. None of the terms, covenants and conditions of this Agreement may be waived by a Party except in a writing signed by such Party.

9.7 Expense of Enforcement. If, as a consequence of any dispute arising under or with regard to this Agreement or its performance, any Party shall be required to retain the services of legal counsel or to initiate any proceeding, it is understood that each Party shall be required to bear their own costs, including attorney fees, filing fees, or any other costs associated with the proceeding.

9.8 Remedies and Enforcement. If there should occur any breach or threatened breach by Employee of any of the covenants, restrictions or requirements set forth in Sections 3, 4 or 6 of this Agreement, Employee acknowledges and agrees that Company's remedies at law are or may be inadequate to redress the same and Company shall be entitled to seek an injunction, restraining order, specific performance or enforcement or other equitable relief in regard thereto, notwithstanding the provisions of Section 9.2 above.

9.9 Waiver of Jury Trial. THE PARTIES HEREBY WAIVE A JURY TRIAL IN ANY PROCEEDING OR LITIGATION WITH RESPECT TO THIS AGREEMENT.

9.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be considered an original but all of which together shall constitute one and the same agreement.

9.11 This Agreement supplements and supercedes any earlier agreement entered into or agreed to either verbally or in writing concerning Employee's employment with the Company, including, without limitation, that certain Agreement dated May 18, 2006.

IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement at Louisville, Kentucky on the respective dates shown beneath their signatures below, but effective as of the Effective Date.

EMPLOYEE:

/s/ William M. Van Epps
WILLIAM VAN EPPS
Date: November 1, 2007
Employee Notice Address:
80 Windom Lane
Nicholasville, KY 40356

COMPANY:

PAPA JOHN'S INTERNATIONAL, INC.

By: /s/ Nigel Travis
Name: NIGEL TRAVIS
Title: CEO
Date: November 1, 2007

Company Notice Address:
ATTN: General Counsel
2002 Papa Johns Boulevard
Louisville, Kentucky 40299-2334

SCHEDULE A

[Attached to and to be made a part of the Employment Agreement]

Name of Employee: William Van Epps

Position/Title: President, U.S.A.

Duties: Employee shall report to, and be subject to the supervision of the CEO or such other person as may be designated by the Board; and shall be responsible for the overall direction, management and execution of the Company's U.S. business operations as developed to meet the needs and requirements of the Company's constituencies. Without limiting the generality of the foregoing, Employee's responsibilities shall include those assigned to him from time to time by the Company's Chairman or Board, and, further, shall include the following:

Primary responsibility for all aspects of the Company's domestic restaurant and other operations and marketing, including transactions, sales and service, the development of new and maintenance of existing franchisee relationships and development and execution of marketing strategies, plans and initiatives.

In conjunction with the CEO and the Board, development of the Company's short and long term strategic plans for expansion of the Company's existing and new business.

Assist with the development and execution of the Company's overall plans and initiatives; and coordinate activities and initiatives in certain of the Company's departments as determined by the CEO and the Board.

Assist the CEO in the professional development and evaluation of all senior management team members.

Full and final responsibility for CUSTOMER SATISFACTION in the United States markets.

<u>Other Benefits</u>: Employee shall be entitled to a gross lump sum payment of $20,000 annually, less all applicable taxes and withholdings, to cover the costs of purchasing additional disability insurance.

<u>Term of Agreement ("Term")</u>: through December 31, 2008.

<u>Base Salary</u>: $515,000.

<u>Stock Ownership</u>: Papa John's also has minimum stock ownership guidelines for its executives. As President, U.S.A., Employee will be required to own shares whose aggregate value equals or exceeds three times Employee's annual salary. This ownership requirement must be accomplished in annual steps of the value amount Employee was required to own under the annual ownership benchmarks required of him by the Company in 2005 or 2006, whichever is greater. Those benchmarks amount to 10%, 25%, 45% and 70% of the three times salary requirement. The determination as to whether Employee has met the benchmark amount shall be measured on January 1 of each year with full ownership attained by

December 31, 2010. If annual benchmarks are not met, the Compensation Committee may, in its sole and exclusive discretion undertake those steps it deems appropriate to correct Employee's ownership deficiency, including, without limitation, directing any bonus amounts Employee may earn toward equity in the Company (in the form of restricted shares), or reducing or eliminating long-term incentive plan grants in the event no bonus is paid in a given year.

EXHIBIT 31.1

SECTION 302
CERTIFICATION

I, Nigel Travis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Papa John's International, Inc.;

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

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

4. The registrant's other certifying officer 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: November 6, 2007

/s/ Nigel Travis
Nigel Travis
Chief Executive Officer and President

EXHIBIT 31.2

SECTION 302
CERTIFICATION

I, J. David Flanery, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Papa John’s International, Inc.;

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

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

4. The registrant’s other certifying officer 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: November 6, 2007

/s/ J. David Flanery
J. David Flanery
Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

SECTION 906
CERTIFICATION

I, Nigel Travis, Chief Executive Officer and President of Papa John's International, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Report on Form 10-Q of the Company for the quarterly period ended September 30, 2007 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2007

/s/ Nigel Travis
Nigel Travis
Chief Executive Officer and President

EXHIBIT 32.2

SECTION 906
CERTIFICATION

I, J. David Flanery, Senior Vice President and Chief Financial Officer of Papa John's International, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Report on Form 10-Q of the Company for the quarterly period ended September 30, 2007 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2007

/s/ J. David Flanery
J. David Flanery
Senior Vice President and Chief Financial Officer