

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 27, 1999

OR

☐ 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
(State or other Jurisdiction of
incorporation or organization)

61-1203323
(I.R.S. Employer Identification
number)

2002 Papa John's Boulevard
Louisville, Kentucky 40299-2334
(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 ☒ No ☐

At July 31, 1999, there were outstanding 30,320,129 shares of the registrant's common stock, par value \$.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)	June 27, 1999 (Unaudited)	December 27, 1998 (Restated - see note)
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Assets		
Current assets:		
Cash and cash equivalents	\$ 36,468	\$ 33,814
Accounts receivable	18,482	17,420
Inventories	8,954	9,808
Prepaid expenses and other current assets	5,937	4,891
Deferred income taxes	2,090	2,090
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Total current assets	71,931	68,023
Investments	42,476	47,355
Net property and equipment	201,726	172,872
Notes receivable from franchisees	7,846	8,990
Other assets	23,882	22,484
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Total assets	\$347,861	\$319,724
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Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 18,567	\$ 18,389
Accrued expenses	27,406	27,106
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Total current liabilities	45,973	45,495
Unearned franchise and development fees	6,034	6,561
Long-term debt	925	8,230
Deferred income taxes	354	5,066
Other long-term liabilities	211	202
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Stockholders' equity:		
Preferred stock	-	-
Common stock	303	298
Additional paid-in capital	182,795	166,209
Accumulated other comprehensive income (unrealized gain on investments, net of tax)	827	688
Retained earnings	110,920	87,456
Treasury stock	(481)	(481)
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Total stockholders' equity	294,364	254,170
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Total liabilities and stockholders' equity	\$347,861	\$319,724
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Note: The Condensed Consolidated Balance Sheet at December 27, 1998 has been derived from the audited financial statements at that date restated to reflect the acquisition of Minnesota Pizza Company, LLC, a business combination accounted for as a pooling of interests (see note 3).

See accompanying notes.

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

(In thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	June 27, 1999	June 28, 1998 (Restated - see note)	June 27, 1999	June 28, 1998 (Restated - see note)
Revenues:				
Restaurant sales	\$ 98,226	\$ 84,470	\$192,678	\$164,379
Franchise royalties	10,104	7,893	19,522	15,106
Franchise and development fees	1,775	1,190	3,245	2,292
Commissary sales	76,084	60,665	146,088	117,000
Equipment and other sales	14,195	10,986	26,202	21,920
Total revenues	200,384	165,204	387,735	320,697
Costs and expenses:				
Restaurant expenses:				
Cost of sales	24,355	21,858	47,582	43,074
Salaries and benefits	27,086	22,991	52,404	44,317
Advertising and related costs	9,136	7,480	17,272	14,549
Occupancy costs	4,660	4,162	9,251	7,985
Other operating expenses	13,147	10,890	25,871	21,413
	78,384	67,381	152,380	131,338
Commissary, equipment and other expenses:				
Cost of sales	68,419	55,603	130,773	108,277
Salaries and benefits	5,946	4,090	11,556	7,972
Other operating expenses	7,331	5,258	14,180	10,490
	81,696	64,951	156,509	126,739
General and administrative expenses	14,330	13,878	28,425	26,448
Pre-opening and other general expenses	1,330	1,094	2,747	2,276
Depreciation and amortization expense	5,746	4,965	11,276	9,587
Total costs and expenses	181,486	152,269	351,337	296,388
Operating income	18,898	12,935	36,398	24,309
Investment income	836	1,097	1,628	2,073
Income before income taxes and cumulative effect of a change in accounting principle	19,734	14,032	38,026	26,382
Income tax expense	7,400	5,401	14,310	10,242
Income before cumulative effect of a change in accounting principle	12,334	8,631	23,716	16,140
Cumulative effect of accounting change, net of tax	-	-	-	(2,603)
Net income	\$ 12,334	\$ 8,631	\$ 23,716	\$ 13,537
Basic earnings per share:				
Income before cumulative effect of a change in accounting principle	\$ 0.41	\$ 0.29	\$ 0.79	\$ 0.55
Cumulative effect of accounting change, net of tax	-	-	-	(0.09)
Basic earnings per share	\$ 0.41	\$ 0.29	\$ 0.79	\$ 0.46
Diluted earnings per share:				
Income before cumulative effect of a change in accounting principle	\$ 0.40	\$ 0.28	\$ 0.76	\$ 0.53
Cumulative effect of accounting change, net of tax	-	-	-	(0.09)
Diluted earnings per share	\$ 0.40	\$ 0.28	\$ 0.76	\$ 0.44
Basic weighted average shares outstanding	30,166	29,493	30,066	29,392
Diluted weighted average shares outstanding	31,065	30,650	31,082	30,397

Note: The Condensed Consolidated Statements of Income for the three and six months ended June 28, 1998, have been restated to reflect the adoption of SOP 98-5 and the acquisition of Minnesota Pizza Company, LLC, a business combination accounted for as a pooling of interests (see note 2 and note 3).

See accompanying notes.

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

(In thousands)	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total Stockholders' Equity
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Balance at December 28, 1997						
as restated	\$292	\$151,349	\$321	\$ 55,515	\$(481)	\$206,996
Comprehensive income:						
Net income	-	-	-	13,537	-	13,537
Unrealized gain on investments, net of tax of \$326	-	-	494	-	-	494
						<hr/>
Comprehensive income						14,031
Exercise of stock options	3	7,006	-	-	-	7,009
Tax benefit related to exercise of non-qualified stock options	-	1,660	-	-	-	1,660
Other	1	239	-	(414)	-	(174)
<hr/>						
Balance at June 28, 1998	\$296	\$160,254	\$815	\$ 68,638	\$(481)	\$229,522
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Balance at December 27, 1998						
as restated	\$298	\$166,209	\$688	\$ 87,456	\$(481)	\$254,170
Comprehensive income:						
Net income	-	-	-	23,716	-	23,716
Unrealized gain on investments, net of tax of \$33	-	-	139	-	-	139
						<hr/>
Comprehensive income						23,855
Exercise of stock options	5	8,525	-	-	-	8,530
Tax benefit related to exercise of non-qualified stock options	-	2,747	-	-	-	2,747
Deferred tax asset - acquisition	-	5,245	-	-	-	5,245
Other	-	69	-	(252)	-	(183)
<hr/>						
Balance at June 27, 1999	\$303	\$182,795	\$827	\$110,920	\$(481)	\$294,364
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Note: The Condensed Consolidated Statements of Stockholders' Equity for all prior periods presented have been restated to reflect the adoption of SOP 98-5 and the acquisition of Minnesota Pizza Company, LLC, a business combination accounted for as a pooling of interests (see note 2 and note 3).

See accompanying notes.

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

(In thousands)	Six Months Ended	
	June 27, 1999	June 28, 1998 (Restated - see note)

Operating activities		
Net cash provided by operating activities	\$ 38,873	\$ 28,955
Investing activities		
Purchase of property and equipment	(45,189)	(28,600)
Purchase of investments	(16,498)	(15,849)
Proceeds from sale or maturity of investments	21,297	14,204
Loans to franchisees	(1,189)	(3,639)
Loan repayments from franchisees	2,333	1,939
Deferred systems development costs	(644)	(634)
Acquisitions	(825)	(228)
Other	444	128

Net cash used in investing activities	(40,271)	(32,679)
Financing activities		
Payments on long-term debt	(9,815)	(3,220)
Proceeds from issuance of long-term debt	2,510	3,560
Proceeds from exercise of stock options	8,530	7,009
Tax benefit related to exercise of non-qualified stock options	2,747	1,660
Other	80	(1)

Net cash provided by financing activities	4,052	9,008

Net increase in cash and cash equivalents	2,654	5,284
Cash and cash equivalents at beginning of period	33,814	18,835

Cash and cash equivalents at end of period	\$ 36,468	\$ 24,119
=====		

Note: The Condensed Consolidated Statement of Cash Flows for the six months ended June 28, 1998, has been restated to reflect the adoption of SOP 98-5 and the acquisition of Minnesota Pizza Company, LLC, a business combination accounted for as a pooling of interests (see note 2 and note 3).

See accompanying notes.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

June 27, 1999

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles 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 generally accepted accounting principles 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 three and six months ended June 27, 1999, are not necessarily indicative of the results that may be expected for the year ended December 26, 1999. 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 27, 1998.

2. Accounting Change

In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting the Costs of Start-Up Activities" (the "SOP"), which requires that costs related to start-up activities be expensed as incurred. Prior to 1998, we capitalized our start-up costs incurred primarily in connection with opening new restaurant and commissary locations and amortized these costs on a straight line basis over a period of one year from the facility's opening date. We adopted the provisions of the SOP at the time we issued our financial statements for the year ended December 27, 1998 and have restated all previously reported interim financial statements. The adoption resulted in a charge in the first quarter of 1998 for the cumulative effect of an accounting change of \$2.6 million, net of taxes of \$1.5 million, to expense costs that had been previously capitalized prior to 1998. Excluding the one-time cumulative effect, the adoption of the new accounting standard did not have a material impact on 1998 operating results.

3. Business Combinations

On March 28, 1999, we acquired Minnesota Pizza Company, LLC ("Minnesota Pizza"), a franchisee which operated 37 Papa John's restaurants in the Minneapolis/St. Paul, Minnesota market. We issued 128,119 shares of our common stock valued at \$5.4 million in exchange for all of the issued and outstanding ownership interests of Minnesota Pizza. The transaction was accounted for as a pooling of interests. Our operating results for the first quarter of 1999, and previously reported results of operations and balance sheets, have been restated to include Minnesota Pizza. Intercompany transactions between the Company and Minnesota Pizza have been eliminated in the accompanying restated condensed consolidated financial statements. The operating results previously reported by the Company and Minnesota Pizza separately are summarized below:

(In thousands)	Three Months Ended June 28, 1998		Six Months Ended June 28, 1998	
	Papa John's	Minnesota Pizza	Papa John's	Minnesota Pizza
Total revenues	\$162,273	\$4,521	\$315,201	\$ 8,512
Eliminations	(1,590)	-	(3,016)	-
Net combined revenue	160,683	4,521	312,185	8,512
Net income (loss)	9,197	(566)	14,837	(1,300)
Pro forma net income (loss)	9,197	(351)	14,837	(806)

The Minnesota Pizza pro forma net income (loss) includes an income tax benefit for the treatment of Minnesota Pizza as a C Corporation rather than a limited liability company taxed as a partnership, with an assumed effective income tax rate of 38%.

Notes to Condensed Consolidated Financial Statements (continued)

4. Segment Information

(In thousands)	Three Months Ended		Six Months Ended	
	June 27, 1999	June 28, 1998 Restated (1)	June 27, 1999	June 28, 1998 Restated (1)
Revenues from external customers:				
Restaurants	\$ 98,226	\$ 84,470	\$192,678	\$164,379
Commissaries	76,084	60,665	146,088	117,000
Franchising	11,879	9,083	22,767	17,398
All others	14,195	10,986	26,202	21,920
Total revenues from external customers	\$200,384	\$165,204	\$387,735	\$320,697
Intersegment revenues:				
Commissaries	\$ 30,004	\$ 25,362	\$ 56,860	\$ 50,030
Franchising	34	32	68	63
All others	3,602	3,914	6,875	7,728
Total intersegment revenues	\$ 33,640	\$ 29,308	\$ 63,803	\$ 57,821
Income before income taxes:				
Restaurants	\$ 3,524	\$ 3,640	\$ 8,888	\$ 6,901
Commissaries	7,207	4,523	12,607	8,182
Franchising	10,298	7,824	19,655	14,888
All others	1,429	1,395	2,560	2,429
Unallocated corporate expenses	(2,644)	(3,330)	(5,626)	(5,911)
Elimination of intersegment profits	(80)	(20)	(58)	(107)
Total income before income taxes	\$ 19,734	\$ 14,032	\$ 38,026	\$ 26,382 (2)
Gross fixed assets:				
Restaurants	\$130,251			
Commissaries	52,105			
All others	4,772			
Unallocated corporate assets	72,689			
Accumulated depreciation	(58,091)			
Net fixed assets	\$201,726			

(1) See Notes 2 and 3 of Notes to Condensed Consolidated Financial Statements.

(2) Excludes the cumulative effect of a change in accounting principle.

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

Restaurant Progression (1)

	Three Months Ended		Six Months Ended	
	June 27, 1999	June 28, 1998	June 27, 1999	June 28, 1998

U.S. Company-owned:				
Beginning of period	514	448	514	427
Opened	6	19	10	39
Closed	-	(1)	(1)	(1)
Sold to franchisees	(1)	(1)	(6)	(1)
Acquired from franchisees	-	9	2	10

End of period	519	474	519	474

U.S. franchised:				
Beginning of period	1,435	1,150	1,365	1,090
Opened	91	72	160	133
Closed	(4)	(2)	(6)	(2)
Sold to Company	-	(9)	(2)	(10)
Acquired from Company	1	1	6	1

End of period	1,523	1,212	1,523	1,212

International franchised:				
Beginning of period	9	-	6	-
Opened	6	-	9	-

End of period	15	-	15	-

Total at end of period	2,057	1,686	2,057	1,686
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(1) Restated for the acquisition of Minnesota Pizza (see Note 3 of Notes to Condensed Consolidated Financial Statements).

Results of Operations

On March 28, 1999, we acquired Minnesota Pizza Company, LLC ("Minnesota Pizza"), a franchisee which operated 37 Papa John's restaurants in the Minneapolis/St. Paul, Minnesota market. The transaction was accounted for as a pooling of interests. Our operating results for the first quarter of 1999 and previously reported results of operations and balance sheets have been restated to include Minnesota Pizza.

Revenues. Total revenues increased 21.3% to \$200.4 million for the three months ended June 27, 1999, from \$165.2 million for the comparable period in 1998, and 20.9% to \$387.7 million for the six months ended June 27, 1999, from \$320.7 million for the comparable period in 1998.

Restaurant sales increased 16.3% to \$98.2 million for the three months ended June 27, 1999, from \$84.5 million for the comparable period in 1998, and 17.2% to \$192.7 million for the six months ended June 27, 1999, from \$164.4 million for the comparable period in 1998. These increases were primarily due to increases of 13.6% and 15.5% in the number of equivalent Company-owned restaurants open during the three and six months ended June 27, 1999, respectively, compared to the same period in the prior year. "Equivalent restaurants" represent the number of restaurants open at the beginning of a given period, adjusted for restaurants opened or acquired during the period on a weighted average basis. Also, sales increased 4.2% for the three months ended June 27, 1999, over the comparable period in 1998, and 3.5% for the six months ended June 27, 1999, over the comparable period in 1998, for Company-owned restaurants open throughout both periods due to reduced price discounting during 1999.

Franchise royalties increased 28.0% to \$10.1 million for the three months ended June 27, 1999, from \$7.9 million for the comparable period in 1998, and 29.2% to \$19.5 million for the six months ended June 27, 1999, from \$15.1 million for the comparable period in 1998. These increases were primarily due to increases of 25.5% and 25.4% in the number of equivalent franchised restaurants open during the three and six months ended June 27, 1999, compared to the same periods in the prior year. Also, sales increased 6.5% for the three months ended June 27, 1999, over the comparable period in 1998, and 7.8% for the six months ended June 27, 1999, over the comparable period in 1998, for franchised restaurants open throughout both periods.

Franchise and development fees increased 49.2% to \$1.8 million for the three months ended June 27, 1999, from \$1.2 million for the comparable period in 1998, and 41.6% to \$3.2 million for the six months ended June 27, 1999, from \$2.3 million for the comparable period in 1998. These increases were primarily due to the 169 franchised restaurants opened during the six months ended June 27, 1999, versus the 133 opened during the comparable period in 1998, and the mix of development agreements under which the restaurants were opened. The average dollar amount of fees per franchised restaurant opening may vary from period to period, as restaurants opened pursuant to older development agreements and certain "Hometown restaurants" generally have lower required fees than restaurants opened pursuant to more recent development agreements. "Hometown restaurants" are generally located in smaller markets with fewer than 9,000 households. Hometown restaurant development agreements entered into subsequent to March 1998, generally provide for fees equivalent to those under standard development agreements.

Commissary sales increased 25.4% to \$76.1 million for the three months ended June 27, 1999, from \$60.7 million for the comparable period in 1998, and 24.9% to \$146.1 million for the six months ended June 27, 1999, from \$117.0 million for the comparable period in 1997. These increases were primarily the result of the increases in equivalent franchised restaurants previously noted.

Equipment and other sales increased 29.2% to \$14.2 million for the three months ended June 27, 1999, from \$11.0 million for the comparable period in 1998, and 19.5% to \$26.2 million for the six months ended June 27, 1999, from \$21.9 million for the comparable period in 1998. These increases were primarily due to ongoing equipment and smallwares orders related to the previously noted increase in equivalent franchised restaurants and the increase in the number of new restaurant equipment packages sold to franchisees that opened restaurants during the three and six months ended June 27, 1999 as compared to the same periods in 1998. The increase for the six months ended June 27, 1999 was partially offset by the decrease in sales of the Papa John's PROFIT System, a proprietary point of sale system, compared to the same period in 1998. Substantially all franchisees had installed the Papa John's PROFIT System in their existing restaurants by March 29, 1998.

Costs and Expenses. Restaurant cost of sales, which consists of food, beverage and paper costs, decreased as a percentage of restaurant sales to 24.8% for the three months ended June 27, 1999, from 25.9% for the comparable period in 1998, and decreased to 24.7% for the six months ended June 27, 1999, from 26.2% for the comparable period in 1998. These decreases were primarily attributable to reduced restaurant menu price discounting during the three and six months ended June 27, 1999.

Restaurant salaries and benefits as a percentage of restaurant sales increased to 27.6% for the three months ended June 27, 1999, from 27.2% for the comparable period in 1998, and increased to 27.2% for the six months ended June 27, 1999, from 27.0% for the comparable period in 1998. These increases were due to higher staffing levels after the 14th Anniversary promotion to support the demands of new customers and higher wage rates due to an increase in the federal minimum wage in October 1998. Occupancy costs remained relatively consistent at 4.7% and 4.8%, respectively, for the three and six months ended June 27, 1999, as compared to 4.9% for both comparable periods in 1998.

Advertising and related costs increased to 9.3% for the three months ended June 27, 1999, from 8.9% for the comparable period in 1998, and increased to 9.0% for the six months ended June 27, 1999, from 8.9% for the comparable period in 1998. Advertising was increased during the three months ended June 27, 1999 subsequent to the 14th Anniversary promotion in response to significant promotional activities by our competitors.

Other restaurant operating expenses increased as a percentage of restaurant sales to 13.4% for the three months ended June 27, 1999, from 12.9% for the comparable period in 1998, and increased as a percentage of restaurant sales to 13.4% for the six months ended June 27, 1999, from 13.0% for the comparable period in 1998. These increases were due to increased costs associated with the 14th Anniversary promotion. Other operating expenses include an allocation of commissary operating expenses equal to 3% of Company-owned restaurant sales in order to

assess a portion of the costs of dough production, food, equipment purchases and storage to Company-owned restaurants.

Commissary, equipment and other expenses include cost of sales and operating expenses associated with sales of food, paper, equipment, information systems, and printing and promotional items to franchisees and other customers. These costs decreased as a percentage of combined commissary sales and equipment and other sales to 90.5% for the three months ended June 27, 1999, as compared to 90.6% for the same period in 1998, and decreased to 90.8% for the six months ended June 27, 1999, from 91.2% for the same period in 1998. Cost of sales as a percentage of combined commissary sales and equipment and other sales decreased to 75.8% for the three months ended June 27, 1999, from 77.6% for the comparable period in 1998, and decreased 75.9% for the six months ended June 27, 1999, from 77.9% for the comparable period in 1998. These decreases were due primarily to the timing of certain favorable commodity price changes and the change in classification of certain expenses to salaries and benefits previously reported as cost of sales. Salaries and benefits increased to 6.6% for the three months ended June 27, 1999, from 5.7% for the comparable period in 1998, and increased to 6.7% for the six months ended June 27, 1999, from 5.7% for the comparable period in 1998 due primarily to the change in classification of certain expenses previously reported in cost of sales and general and administrative expenses. Other operating expenses increased to 8.1% for the three months ended June 27, 1999, from 7.3% for the comparable period in 1998, and increased to 8.2% for the six months ended June 27, 1999, from 7.6% for the comparable period in 1998. These increases were due primarily to higher delivery costs related to the transition to a new distribution vendor and costs related to the 14th Anniversary promotion.

General and administrative expenses as a percentage of total revenues decreased to 7.2% for the three months ended June 27, 1999, from 8.4% for the comparable period in 1998, and decreased to 7.3% for the six months ended June 27, 1999, from 8.2% for the comparable period in 1998. The decreases were due to leveraging expenses on a higher sales base and the change in classification of certain expenses to commissary, equipment and other salaries and benefits previously reported as general and administrative expenses. The change in classification represented approximately 0.2% of the total improvement in both the three and six month periods.

Pre-opening and other general expenses increased slightly to \$1.3 million for the three months ended June 27, 1999, from \$1.1 million for the comparable period in 1998, and increased to \$2.7 million for the six months ended June 27, 1999, from \$2.3 million for the comparable period in 1998. The increase for the three months was due to equipment write-offs resulting primarily from an increased number of restaurant relocations during the year, partially offset by lower restaurant pre-opening expenses. The increase for the six months was due to equipment write-offs resulting from an increased number of restaurant relocations during the year and the divestiture of five stores, partially offset by lower restaurant pre-opening expenses. Restaurant pre-opening costs decreased due to a lower number of corporate restaurant openings during the three and six months ended June 27, 1999 compared to the same periods in 1998.

Depreciation and amortization were relatively consistent as a percentage of total revenues at 2.9% for the three and six months ended June 27, 1999, as compared to 3.0% for the comparable periods in 1998.

Investment Income. Investment income decreased to \$836,000 for the three months ended June 27, 1999, from \$1.1 million for the comparable period in 1998, and decreased to \$1.6 million for the six months ended June 27, 1999, from \$2.1 million for the comparable period in 1998. These decreases were primarily due to a lower average balance of franchise loans and lower average investment balances during the three and six months ended June 27, 1999 compared to the same periods in 1998.

Income Tax Expense. Income tax expense, exclusive of Minnesota Pizza operating results, reflects a combined federal, state and local effective tax rate of 37.5% for the three and six months ended June 27, 1999, compared to 37.0% for the comparable periods in 1998 (see Note 3 of Notes to Condensed Consolidated Financial Statements). The effective tax rate in 1999 increased as a result of a relative decrease in the level of tax-exempt investment income to total pre-tax income.

Liquidity and Capital Resources

Cash flow from operations increased to \$38.9 million for the six months ended June 27, 1999, from \$29.0 million for the comparable period in 1998, due primarily to the higher level of net income for the first six months of 1999.

We require capital primarily for the development and acquisition of restaurants, the addition of new commissary and support services facilities and equipment, the enhancement of corporate systems and facilities and the funding of franchisee loans. Capital expenditures of \$45.2 million for the six months ended June 27, 1999, were funded by cash flow from operations and cash generated from the exercise of stock options.

In addition to restaurant development and potential acquisitions, significant capital projects for the next 12 months are expected to include the completion of the 247,000 square foot facility in Louisville, Kentucky. In mid-1999, the Louisville commissary operations and the majority of the team members in the corporate offices were relocated to the new facility. The remaining corporate team members will be relocated upon completion of the building in late-1999. In early-2000, we expect to open a full-service commissary in Pittsburgh, Pennsylvania and complete the expansion and relocation of the Phoenix, Arizona distribution center to a full-service commissary.

We have been approved to receive up to \$21.0 million in incentives under the Kentucky Jobs Development Act in connection with the relocation of our corporate offices. Based upon the expected timing of completion of the facility and its final design, we expect to earn approximately \$13.0 million of such incentives through 2007.

Capital resources available at June 27, 1999, include \$36.5 million of cash and cash equivalents and \$42.5 million of investments. We also plan to finalize establishment of a \$20 million committed line of credit, which would expire in June 2000. We expect to fund planned capital expenditures for the next twelve months from these resources and operating cash flows.

Impact of Year 2000

Some of our older purchased software programs were written using two digits rather than four to define the applicable year. As a result, time-sensitive software or hardware recognizes a date using "00" as the year 1900 rather than the year 2000. This could cause a system failure or miscalculations resulting in disruptions of important administrative and operational processes, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

Our year 2000 evaluation has been ongoing since late 1997 and became more formalized in January 1999 with the formation of a committee comprised of senior management from various departments within the Company. The primary goal of the committee is to assess and mitigate risk associated with year 2000 issues by September 1999. The committee developed a three-phased approach to accomplish this goal consisting of the following: (1) identifying and documenting the business components impacted by the year 2000, both internally and externally, assigning priority to those components identified based on the level of risk, and determining year 2000 compliance; (2) performing tests for year 2000 compliance; and (3) developing contingency plans based upon the results of the risk analysis and testing phases. We completed the first phase of our assessment in April 1999 and are currently in the second phase with a target completion date of August 1999. The third phase is targeted for completion in September 1999.

As part of the first phase, we completed an assessment of our internal information technology and will have to modify or replace certain software and hardware to function properly in the year 2000 and thereafter. Such modifications started during phase one and will continue through phase two of our project. Based on our assessment or representations from software suppliers, or both, we believe the total year 2000 project cost is immaterial to our financial position, net income and liquidity. Much of the cost related to year 2000 changes coincides with company plans to replace certain systems, including the financial accounting and payroll/human resource systems, which were upgraded in January 1999, in order to accommodate our planned growth. About 90% of the new financial accounting system has been implemented and the remaining portion is expected to be implemented by October 1999. Based upon the representations from the manufacturers of these systems, we believe the systems are year 2000 compliant. The timing of implementation was not materially affected by year 2000 concerns.

We have taken action to ensure that our restaurant system is year 2000 compliant by implementing a single point of sale operating system (Papa John's PROFIT System) in all Company-owned and substantially all franchised restaurants. Additionally, we have notified our franchisees of our year 2000 process and have requested their assistance in ensuring year 2000 compliance with regard to their business.

We believe that with the planned modifications to existing software and/or conversions to new software and hardware as described above, the year 2000 issue will not pose significant operational problems. However, if such modifications and conversions are not made, or are not completed timely, the year 2000 issue could have a material impact on certain administrative and operational processes.

We have queried our significant vendors with respect to year 2000 issues and have received responses from approximately 98% of the vendors, including our cheese and tomato sauce vendors. We are not aware of any vendors with a year 2000 issue that would materially impact results of operations, liquidity, or capital resources. However, we have no means of ensuring that vendors will be year 2000 ready. The inability of vendors to complete their year 2000 resolution process in a timely fashion could materially impact us, although the actual impact of non-compliance by vendors is not determinable.

There can be no assurance that we will be completely successful in our efforts to address year 2000 issues. We are in the process of evaluating contingency plans in the event we do not complete all phases of the year 2000 program. We plan to continue to evaluate the status of completion in August 1999 to determine whether such contingency plans are necessary, although at this time we know of no reason our year 2000 program will not be completed in a timely manner.

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, our ability and the ability of our franchisees to obtain suitable locations and financing for new restaurant development; the hiring, training, and retention of management and other personnel; competition in the industry with respect to price, service, location and food quality; an increase in food cost due to seasonal fluctuations, weather or demand; changes in consumer tastes or demographic trends; changes in federal or state laws, such as increases in minimum wage; risks inherent to international development; and factors associated with the year 2000 evaluation and modifications. See "Forward Looking Statements" in Part I, Item I - Business Section of the Form 10-K for the fiscal year ended December 27, 1998 for additional factors.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On August 12, 1998, Pizza Hut, Inc. filed suit against us in the United States District Court for the Northern District of Texas under the federal Lanham Act (the "Lawsuit") claiming, among other things, that we engaged in acts of unfair competition through dissemination of "false, misleading and disparaging advertising", including without limitation, the use of our "Better Ingredients. Better Pizza." trademark. Pizza Hut is seeking injunctive relief and damages in an amount of not less than \$12.5 million, attorneys' fees, as well as other relief. We have filed counterclaims against Pizza Hut (the "Counterclaims") claiming, among other things, that the Lawsuit was filed primarily, if not solely, as a competitive ploy and that Pizza Hut had engaged in false, misleading and disparaging advertising aimed at us. We have asked the court for an award of our reasonable attorneys' fees, as well as for other relief to which we may be entitled. This Lawsuit and Counterclaims are in the mid-stages of pleading and discovery. A trial has been scheduled for October 25, 1999. We do not believe the Lawsuit has merit and intend to vigorously defend the claims asserted against us. It is too early to assess the likelihood of success on the merits of the parties' respective claims.

We are also 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 4. Submission of Matters to a Vote of Security Holders.

Our annual meeting of stockholders was held on May 20, 1999 at the Hyatt Regency Hotel, 320 West Jefferson Street, Louisville, Kentucky at 11:00 a.m.

At the meeting, our stockholders elected three directors to serve until the 2002 annual meeting of stockholders. The vote counts were as follows:

	Affirmative -----	Withheld -----
John H. Schnatter	27,376,324	305,466
Blaine E. Hurst	27,371,323	310,467
Wade S. Oney	27,371,664	310,126

Our other directors continue to serve in accordance with their previous elections: until the 2000 annual meeting - O. Wayne Gaunce, Jack A. Laughery and Michael W. Pierce; and until the 2001 annual meeting - Charles W. Schnatter and Richard F. Sherman.

Our stockholders also took the following actions at the meeting:

- (1) Approved amendment of the Papa John's International, Inc. 1993 Stock Ownership Incentive Plan by a vote of 25,300,728 affirmative to 2,340,011 negative and 41,051 abstention votes;
- (2) Approved amendment of the Papa John's International, Inc. 1993 Non-Employee Directors Stock Option Plan by a vote of 25,811,725 affirmative to 1,827,781 negative and 42,284 abstention votes;
- (3) Approved adoption of the Papa John's International, Inc. 1999 Team Members Stock Ownership Plan by a vote of 16,893,593 affirmative to 10,745,825 negative and 42,372 abstention votes; and
- (4) Ratified the selection of Ernst & Young LLP as our independent auditors for the fiscal year ending December 26, 1999 by a vote of 27,665,183 affirmative to 5,816 negative and 10,791 abstention votes.

Item 5. Other Information.

In order for a stockholder proposal to be considered for inclusion in our proxy statement for next year's annual meeting of stockholders, the written proposal must be received by us no later than December 10, 1999. Such proposals also will need to comply with Securities and Exchange Commission regulations regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Similarly, in order for a stockholder proposal to be

introduced at next year's annual meeting, written notice must be received by us no later than March 21, 2000. All stockholder proposals also must comply with certain requirements set forth in our Certificate of Incorporation. A copy of the Certificate of Incorporation may be obtained by written request to the Secretary of the Company at our principal offices at P.O. Box 99900, Louisville, Kentucky 40269-0900.

Item 6. Exhibits and Reports on Form 8-K.

a. Exhibits

Exhibit Number -----	Description -----
10.1	Amendment to Papa John's International, Inc. 1993 Stock Ownership Incentive Plan approved by stockholders on May 20, 1999.
10.2	Amendment to Papa John's International, Inc. 1993 Non-Employee Directors Stock Option Plan approved by stockholders on May 20, 1999.
10.3	Papa John's International, Inc. 1999 Team Members Stock Ownership Plan approved by stockholders on May 20, 1999.
11	Calculation of Earnings per Share
27	Financial Data Schedule for the six months ended June 27, 1999, which is submitted electronically to the Securities and Exchange Commission for information only and not deemed to be filed with the Commission.
99.1	Cautionary Statements. Exhibit 99.1 to our Annual Report on Form 10-K for the fiscal year ended December 27, 1998 (Commission File No. 0-21660) is incorporated herein by reference.

b. Current Reports on Form 8-K.

There were no reports filed on Form 8-K during the quarterly period ended June 27, 1999.

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: August 11, 1999

/s/ E. Drucilla Milby

E. Drucilla Milby, Senior Vice
President, Chief Financial Officer
and Treasurer

AMENDMENT TO
PAPA JOHN'S INTERNATIONAL, INC.
1993 STOCK OWNERSHIP INCENTIVE PLAN

A. Papa John's International, Inc., a Delaware corporation ("Company"), has adopted, and the stockholders of the Company have approved, the Papa John's International, Inc. 1993 Stock Ownership Incentive Plan (the "Plan").

B. The Company desires to increase the number of shares of Common Stock reserved for issuance under the Plan.

NOW, THEREFORE, the Plan is hereby amended as follows:

1. Amendment of Plan. Section 4.1 of the Plan is hereby deleted and the following substituted in its place:

"4.1 Number of Shares. Subject to adjustment as provided in Section 4.3, the number of shares of Common Stock reserved for issuance under the Plan is 6,400,000. Any Common Stock issued under the Plan may consist, in whole or in part, of authorized and unissued shares or treasury shares. If and to the extent an Award shall expire or terminate for any reason without having been exercised in full (including a cancellation and regrant of an Option), or shall be forfeited, without, in either case, the Participant having realized any of the economic benefits of a shareholder (such as the receipt of dividends or other distributions paid on shares of Restricted Stock), the shares (including Restricted Stock) associated with such Awards shall again become available for Awards under the Plan."

2. Continuation of Balance of Plan. Except as amended hereby, the Plan is unchanged and remains in full force and effect.

3. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of Delaware without regard to its conflict of laws rules.

IN WITNESS WHEREOF, this Amendment was adopted by the Company as of the 20th day of May, 1999.

PAPA JOHN'S INTERNATIONAL, INC.

By: /s/ Charles W. Schnatter

Charles W. Schnatter, Secretary

AMENDMENT TO
PAPA JOHN'S INTERNATIONAL, INC.
1993 STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS

A. Papa John's International, Inc., a Delaware corporation ("Company"), has adopted, and the stockholders of the Company have approved, the Papa John's International, Inc. 1993 Stock Option Plan for Non-Employee Directors (the "Plan").

B. The Company desires to increase the number of shares of Common Stock reserved for issuance under the Plan.

NOW, THEREFORE, the Plan is hereby amended as follows:

1. Amendment of Plan. Section 3 of the Plan is hereby deleted and the following substituted in its place:

"3. Shares Subject to the Plan. The stock to be offered under the Plan shall be shares of Common Stock, which shares may be unissued shares or treasury shares. Subject to the adjustments provided for in Section 7, the aggregate number of shares of Common Stock to be delivered upon exercise of all Options granted under the Plan shall not exceed 370,000 shares of Common Stock. Shares of Common Stock subject to, but not delivered under, an Option terminating or expiring for any reason prior to its exercise in full shall be available for Options to be granted thereafter during the term of the Plan."

2. Continuation of Balance of Plan. Except as amended hereby, the Plan is unchanged and remains in full force and effect.

3. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of Delaware without regard to its conflict of laws rules.

IN WITNESS WHEREOF, this Amendment was adopted by the Company as of the 20th day of May, 1999.

PAPA JOHN'S INTERNATIONAL, INC.

By: /s/ Charles W. Schnatter

Charles W. Schnatter, Secretary

PAPA JOHN'S INTERNATIONAL, INC.
1999 TEAM MEMBER STOCK OWNERSHIP PLAN

ARTICLE 1. PURPOSE

The purpose of the 1999 Team Member Stock Ownership Plan (the "Plan") is to enhance the ability of Papa John's International, Inc. and its subsidiaries to secure and retain the services of persons eligible to participate in the Plan and to provide incentives for such persons to exert maximum efforts for the success of the Company.

ARTICLE 2. DEFINITIONS AND CONSTRUCTION

2.1 Definitions. As used in the Plan, terms defined parenthetically immediately after their use shall have the respective meanings provided by such definitions, and the terms set forth below shall have the following meanings (in either case, such meanings shall apply equally to both the singular and plural forms of the terms defined):

(a) "Award" shall mean, individually or collectively, a grant under the Plan of Options, Restricted Stock or Performance Units.

(b) "Board" shall mean the Board of Directors of the Company.

(c) "Cause" shall mean (i) the failure by a Participant to render services to the Company, which failure amounts to gross neglect or gross insubordination, (ii) the commission by a Participant of an act of fraud or embezzlement against the Company, or (iii) a Participant being convicted of a felony, or failing to contest a felony prosecution.

(d) A "Change in Control" shall mean (i) the acquisition by any person after the date hereof of beneficial ownership of 50% or more of the voting power of the Company's outstanding voting stock, (ii) three or more of the current members of the Board ceasing to be members of the Board (unless any replacement director is elected by a vote of either at least 75% of the remaining directors, or of at least 75% of the shares entitled to vote on such replacement) or (iii) approval by the stockholders of the Company of (a) a merger or consolidation of the Company with another corporation if the stockholders of the Company immediately before such vote will not, as a result of such merger or consolidation, own more than 50% of the voting stock of the corporation resulting from such merger or consolidation, or (b) a complete liquidation of the Company or sale of all, or substantially all, of the assets of the Company. Notwithstanding the foregoing, a Change in Control shall not occur solely because 50% or more of the voting stock of the Company is acquired by (i) a trust which is part of an employee benefit plan maintained by the Company or its Subsidiaries or (ii) a corporation which, immediately following such acquisition, is owned directly or indirectly by the stockholders of the Company in the same proportion as their ownership of stock in the Company immediately prior to such

acquisition.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, or any successor thereto.

(f) "Committee" shall mean the committee described in Section 3.1.

(g) "Common Stock" shall mean shares of the Company's common stock, par value \$.01 per share.

(h) "Company" shall mean Papa John's International, Inc., a Delaware corporation.

(i) "Disability" shall mean a physical or mental infirmity which the Committee determines impairs the Participant's ability to perform substantially his or her duties for a period of 180 consecutive days.

(j) "Effective Date" shall mean February 25, 1999, the date the Plan was adopted by the Board.

(k) "Employee" shall mean an individual who is a full-time or part-time employee of the Company or a Subsidiary.

(l) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(m) "Fair Market Value" of a share of Common Stock shall mean, as of any applicable date, the closing sale price of the Common Stock on the NASDAQ National Market System or any national or regional stock exchange on which the Common Stock is then traded. If no such reported sale of the Common Stock shall have occurred on such date, Fair Market Value shall mean the closing sale price of the Common Stock on the next preceding date on which there was a reported sale. If the Common Stock is not listed on the NASDAQ National Market System or a national or regional stock exchange, the Fair Market Value of a share of Common Stock as of a particular date shall be determined by such method as shall be determined by the Committee.

(n) "ISOs" shall have the meaning given such term in Section 6.1.

(o) "NQSOS" shall have the meaning given such term in Section 6.1.

(p) "Option" shall mean an option to purchase shares of Common Stock granted pursuant to Article 6.

(q) "Option Agreement" shall mean an agreement evidencing the grant of an Option as described in Section 6.2.

(r) "Option Exercise Price" shall mean the purchase price per share of Common Stock

subject to an Option, which shall not be less than the Fair Market Value on the date of grant.

(s) "Participant" shall mean any Employee or any consultant or advisor providing services to the Company or a Subsidiary selected by the Committee to receive an Award under the Plan.

(t) "Performance Goals" shall have the meaning given such term in Section 8.4.

(u) "Performance Period" shall have the meaning given such term in Section 8.3.

(v) "Performance Unit" shall mean the right to receive a payment from the Company upon the achievement of specified Performance Goals as set forth in a Performance Unit Agreement.

(w) "Performance Unit Agreement" shall mean an agreement evidencing a Performance Unit Award, as described in Section 8.2.

(x) "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d).

(y) "Plan" shall mean this Papa John's International, Inc. 1999 Team Member Stock Ownership Plan as the same may be amended from time to time.

(z) "Restriction Period" shall mean the period determined by the Committee during which the transfer of shares of Common Stock is limited in some way or such shares are otherwise restricted or subject to forfeiture as provided in Article 7.

(aa) "Restricted Stock" shall mean shares of Common Stock granted pursuant to Article 7 as to which the restrictions have not lapsed.

(ab) "Restricted Stock Agreement" shall mean an agreement evidencing a Restricted Stock Award, as described in Section 7.2.

(ac) "Retirement" shall mean retirement by a Participant in accordance with the terms of the Company's retirement or pension plans, if any, or, if the Company has no such plans, then retirement after reaching age 65.

(ad) "Subsidiary" shall mean, with respect to any company, any corporation or other Person of which a majority of its voting power, equity securities, or equity interest is owned, directly or indirectly, by such company.

2.2 Gender and Number. Unless otherwise indicated by the context, reference to the masculine gender shall include the feminine gender, the plural shall include the singular and the singular shall include the plural.

2.3 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

ARTICLE 3. ADMINISTRATION

3.1 The Committee. The Plan shall be administered by the Compensation Committee of the Board, or by any other committee (the "Committee") appointed by the Board consisting of two or more directors of the Company. It is intended that each Committee member shall be a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act and an "outside director" within the meaning of Section 162(m) of the Code. The members of the Committee shall be appointed from time to time by, and shall serve at the discretion of, the Board.

3.2 Authority of the Committee. Subject to the provisions of the Plan, the Committee shall have full authority to:

- (a) select Participants to whom Awards are granted;
- (b) determine the size, type and frequency of Awards granted under the Plan;
- (c) determine the terms and conditions of Awards, including any restrictions, conditions or forfeiture provisions relating to the Award, which need not be identical;
- (d) determine whether and the extent to which Performance Goals have been met;
- (e) determine whether and when a Participant's status as an Employee, consultant, or advisor has terminated for purposes of the Plan;
- (f) cancel or modify, with the consent of the Participant, outstanding Awards and grant new Awards in substitution therefor;
- (g) accelerate the exercisability of, and accelerate or waive any or all the restrictions and conditions applicable to, any Award, for any reason;
- (h) extend the duration of an Option exercise period or term of an Award;
- (i) construe and interpret the Plan and any agreement or instrument entered into under the Plan;
- (j) establish, amend and rescind rules and regulations for the Plan's administration; and
- (k) amend the terms and conditions of any outstanding Award to the extent such terms

and conditions are within the discretion of the Committee as provided in the Plan. The Committee shall have sole discretion to make all other determinations which may be necessary or advisable for the administration of the Plan. To the extent permitted by law and Rule 16b-3 promulgated under the Exchange Act, the Committee may delegate its authority. Notwithstanding the foregoing, the Committee may not delegate its responsibilities hereunder if such delegation would jeopardize compliance with the "outside directors" requirement or any other applicable requirement under Section 162(m) of the Code.

3.3 Decisions Binding. All determinations and decisions made by the Committee pursuant to the provisions of the Plan, and all related orders or resolutions of the Board, shall be final, conclusive and binding upon all persons, including the Company, its stockholders, Employees, Participants and their estates and beneficiaries.

3.4 Section 16 Compliance; Bifurcation of Plan. It is the intention of the Company that the Plan and the administration of the Plan comply in all respects with Section 16(b) of the Exchange Act and the rules and regulations promulgated thereunder. If any Plan provision, or any aspect of the administration of the Plan, is found not to be in compliance with Section 16(b) of the Exchange Act, the provision or administration shall be deemed null and void, and in all events the Plan shall be construed in favor of its meeting the requirements of Rule 16b-3 promulgated under the Exchange Act. Notwithstanding anything in the Plan to the contrary, the Board or the Committee, in its discretion, may bifurcate the Plan so as to restrict, limit or condition the use of any provision of the Plan to Participants who are subject to Section 16 of the Exchange Act without so restricting, limiting or conditioning the Plan with respect to other Participants.

ARTICLE 4. SHARES AVAILABLE UNDER THE PLAN

4.1 Number of Shares. Subject to adjustment as provided in Section 4.3, the number of shares of Common Stock reserved for issuance under the Plan is 1,000,000 shares. Shares as to which options or other Awards granted under the Plan lapse, expire, terminate, are forfeited or are canceled shall again become available for Awards under the Plan. In addition, any shares of Common Stock reserved for issuance under the Company's 1993 Stock Ownership Incentive Plan ("1993 Plan") in excess of the number of shares as to which options or other benefits are awarded thereunder, plus any shares as to which options or other benefits granted under the 1993 Plan may lapse, expire, terminate or be canceled, shall also be reserved and available for issuance or reissuance under the Plan. Any Common Stock issued under the Plan may consist, in whole or in part, of authorized and unissued shares or treasury shares.

4.2 Shares of Restricted Stock Available Under the Plan. Subject to adjustment as provided in Section 4.3, the number of shares of Common Stock which may be the subject of Awards granted in the form of Restricted Stock is limited to 100,000 shares.

4.3 Adjustments in Authorized Shares and Outstanding Awards. In the event of any change in the corporate structure of the Company affecting the Common Stock, including a

merger, reorganization, consolidation, recapitalization, reclassification, split-up, spin-off, separation, liquidation, stock dividend, stock split, reverse stock split, share repurchase, share combination, share exchange, issuance of warrants or debentures, the Committee may substitute or adjust the total number and class of shares of Common Stock or other stock or securities which may be issued under the Plan, and the number, class and price of shares subject to outstanding Awards, as it, in its discretion, determines to be appropriate and equitable to prevent dilution or enlargement of the rights of Participants and to preserve, without exceeding, the value of any outstanding Awards; provided, however, that the number of shares subject to any Award shall always be a whole number. In the case of ISOs, such adjustment shall be made so as not to result in a "modification" within the meaning of Section 424(h) of the Code.

ARTICLE 5. ELIGIBILITY AND PARTICIPATION

All Employees of the Company and its Subsidiaries and consultants or other advisors providing services to the Company or a Subsidiary are eligible to receive Awards under the Plan. In selecting Employees, consultants or advisors to receive Awards under the Plan, as well as in determining the number of shares subject to, and the other terms and conditions applicable to, each Award, the Committee shall take into consideration such factors as it deems relevant in promoting the purposes of the Plan, including the duties and responsibilities of such persons, their present and potential contribution to the success of the Company and their anticipated number of years of active service or contribution remaining with the Company or a Subsidiary.

ARTICLE 6. STOCK OPTIONS

6.1 Grant of Options. Subject to the terms and provisions of the Plan, the Committee may grant Options to Participants at any time and from time to time, in the form of options which are intended to qualify as incentive stock options within the meaning of Section 422 of the Code ("ISOs"), Options which are not intended to so qualify ("NQSOs") or a combination thereof. Notwithstanding the foregoing, ISOs may only be granted to Employees of the Company and its subsidiaries (within the meaning of Section 424(f) of the Code). The maximum number of shares in respect of which Options may be granted to a Participant during any calendar year shall be 250,000 shares.

6.2 Option Agreement. Each Option shall be evidenced by an Option Agreement that shall specify the Option Exercise Price, the duration of the Option, the number of shares to which the Option relates, forfeiture provisions as deemed appropriate by the Committee and such other provisions as the Committee may determine or which are required by the Plan. The Option Agreement shall also specify whether the Option is intended to be an ISO or a NQSO and shall include provisions applicable to the particular type of Option granted.

6.3 Duration of Options. Subject to the provisions of Section 6.7, each Option shall expire at such time as is determined by the Committee at the time of grant; provided, however, that no Option shall at the time of grant be exercisable later than the tenth anniversary of its grant.

6.4 Exercise of Options. Options shall be exercisable at such times and be subject to such restrictions and conditions, including forfeiture provisions, as the Committee shall approve at the time of grant, which need not be the same for each grant or for each Participant. Options shall be exercised by delivery to the Company of a written notice of exercise, setting forth the number of shares with respect to which the Option is to be exercised and accompanied by full payment of the Option Exercise Price and all applicable withholding taxes.

6.5 Payment of Option Exercise Price. The Option Exercise Price for shares of Common Stock as to which an Option is exercised shall be paid to the Company in full at the time of exercise either (a) in cash in the form of currency or other cash equivalent acceptable to the Company, (b) by tendering Common Stock having a Fair Market Value (at the close of business on the date the Company receives the notice of exercise) equal to the Option Exercise Price, (c) any other reasonable consideration that the Committee may deem appropriate or (d) by a combination of the forms of consideration described in (a), (b) and (c) of this Section. The Committee may permit the cashless exercise of Options as described in Regulation T promulgated by the Federal Reserve Board, subject to applicable securities law restrictions, or by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law.

6.6 Vesting Upon Change in Control. Upon a Change in Control, any then outstanding Options held by Participants shall become fully vested and immediately exercisable.

6.7 Termination of Employment. If the Participant's status as an Employee, consultant or advisor is terminated for Cause, all then outstanding Options of such Participant, whether or not exercisable, shall terminate immediately. If the Participant's status as an Employee, consultant or advisor is terminated for any reason other than for Cause, death, Disability or Retirement, to the extent then outstanding Options of such Participant are exercisable and subject to the provisions of the relevant Option Agreement, such Options may be exercised by such Participant or his personal representative at any time prior to the earlier of (a) the expiration date of the Options or (b) the date which is 60 days after the date of such termination of employment. In the event of the Retirement of a Participant, to the extent then outstanding Options of such Participant are exercisable, such Options may be exercised by the Participant (c) in the case of NQSOs, within one year after the date of Retirement and (d) in the case of ISOs, within 90 days after Retirement; provided, however, that no such Options may be exercised on a date subsequent to their expiration. In the event of the death or Disability of a Participant while employed by the Company or a Subsidiary or while the Participant is serving as a consultant or advisor to the Company or a Subsidiary, all then outstanding Options of such Participant shall become fully vested and immediately exercisable, and may be exercised at any time within one year after the date of death or determination of Disability; provided however that no such Options may be exercised on a date subsequent to their expiration. Options may be exercised as provided in this Section (a) in the event of the death of a Participant, by the person or persons to whom rights pass by will or by the laws of descent and distribution, or if appropriate, the legal representative of the decedent's estate and (b) in the event of the Disability of a Participant, by the Participant, or if such Participant is incapacitated, by the Participant's legal representative.

ARTICLE 7. RESTRICTED STOCK

7.1 Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Committee may grant shares of Restricted Stock to Participants at any time and from time to time and upon such terms and conditions as it may determine. The purchase price for shares of Restricted Stock shall be determined by the Committee, but shall not be less than the par value of the Common Stock, except in the case of treasury shares, for which no payment need be required.

7.2 Restricted Stock Agreement. Each Restricted Stock grant shall be evidenced by a Restricted Stock Agreement which shall specify the Restriction Period, the number of shares of Restricted Stock granted and such other provisions as the Committee may determine and which are required by the Plan.

7.3 Non-Transferability of Restricted Stock. Except as provided in this Article 7 or the applicable Restricted Stock Agreement, shares of Restricted Stock may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated until the end of the applicable Restriction Period as specified in the Restricted Stock Agreement and the satisfaction of any other conditions determined at the time of grant specified in the Restricted Stock Agreement. Except as provided in Section 7.9, however, in no event may any Restricted Stock become vested in a Participant subject to Section 16(b) of the Exchange Act prior to six months following the date of its grant.

7.4 Other Restrictions. The Committee shall impose such other restrictions on shares of Restricted Stock as it may deem advisable, including, without limitation, restrictions based upon the achievement of specific performance goals (relating to the Company, a Subsidiary or regional or other operating division of the Company), years of service and/or restrictions under applicable Federal or state securities laws. The Committee may provide that any share of Restricted Stock shall be held (together with a stock power executed in blank by the Participant) in custody by the Company until any or all restrictions thereon shall have lapsed.

7.5 Forfeiture. The Committee shall determine and set forth in a Participant's Restricted Stock Agreement such events upon which a Participant's shares of Restricted Stock (or the proceeds of a sale thereof) shall be forfeitable, which may include, without limitation, the termination of a Participant's employment and certain other activities.

7.6 Certificate Legend. In addition to any legends placed on certificates pursuant to Section 7.4, each certificate representing shares of Restricted Stock shall bear the following legend:

"The sale or other transfer of the shares represented by this Certificate, whether voluntary, involuntary or by operation of law, is subject to certain restrictions on transfer as set forth in the Papa John's International, Inc. 1999 Team Member Stock Ownership Plan, and in the related Restricted Stock Agreement. A copy of

the Plan and such Restricted Stock Agreement may be obtained from the Secretary of Papa John's International, Inc."

7.7 Removal of Restrictions. Except as otherwise provided in this Article 7 or the Restricted Stock Agreement, shares of Restricted Stock shall become freely transferable by the Participant and no longer subject to forfeiture after the last day of the Restriction Period. Once the shares of Restricted Stock are released from their restrictions (including forfeiture provisions), the Participant shall be entitled to have the legend required by Section 7.6 removed from the Participant's share certificate, which certificate shall thereafter represent freely transferable and nonforfeitable shares of Common Stock free from any and all restrictions under the Plan.

7.8 Voting Rights; Dividends and Other Distributions. Unless the Committee exercises its discretion as provided in Section 7.10, during the Restriction Period, Participants holding shares of Restricted Stock may exercise full voting rights, and shall be entitled to receive all dividends and other distributions paid with respect to such Restricted Stock. If any dividends or distributions are paid in Common Stock, such Common Stock shall be subject to the same restrictions as the shares of Restricted Stock with respect to which they were paid.

7.9 Lapse of Restrictions Upon Change in Control. Upon a Change in Control, any restrictions and other conditions pertaining to then outstanding shares of Restricted Stock held by Participants, including, but not limited to, vesting requirements, shall lapse and such shares shall thereafter be immediately transferable and nonforfeitable.

7.10 Treatment of Dividends. At the time shares of Restricted Stock are granted to a Participant, the Committee may, in its discretion, determine that the payment of dividends, or a specified portion thereof, declared or paid on such shares shall be deferred until the lapse of the restrictions with respect to such shares, such deferred dividends to be held by the Company for the account of the Participant. In the event of such deferral, there may be credited at the end of each year (or portion thereof) interest on the amount of the account during the year at a rate per annum as the Committee, in its discretion, may determine. Deferred dividends, together with interest accrued thereon, if any, shall be (a) paid to the Participant upon the lapse of restrictions on the shares of Restricted Stock as to which the dividends related or (ii) forfeited to the Company upon the forfeiture of such shares by the Participant.

7.11 Termination of Employment. If the Participant's status as an Employee, consultant or advisor is terminated for any reason other than death or Disability prior to the expiration of the Restriction Period applicable to any shares of Restricted Stock then held by the Participant, such shares shall thereupon be forfeited immediately by the Participant and returned to the Company, and the Participant shall only receive the amount, if any, paid by the Participant for such Restricted Stock. If the Participant's status as an Employee, consultant or advisor is terminated as a result of death or Disability prior to the expiration of the Restriction Period applicable to any shares of Restricted Stock then held by the Participant, any restrictions and other conditions pertaining to such shares then held by the Participant, including, but not limited to, vesting

requirements, shall immediately lapse and such shares shall thereafter be immediately transferable and nonforfeitable. Notwithstanding anything in the Plan to the contrary, the Committee may determine, in its sole discretion, in the case of any termination of a Participant's status as an Employee, consultant or advisor other than for Cause, that the restrictions on some or all of the shares of Restricted Stock awarded to a Participant shall immediately lapse and, to the extent the Committee deems appropriate, such shares shall thereafter be immediately transferable and nonforfeitable.

ARTICLE 8. PERFORMANCE UNITS

8.1 Grant of Performance Units. The Committee may, from time to time and upon such terms and conditions as it may determine, grant Performance Units which will become payable to a Participant upon achievement of specified Performance Goals. The maximum payment that can be made pursuant to Performance Units granted to any one Participant in any calendar year shall be \$1,000,000.

8.2 Performance Unit Agreement. Each Performance Unit grant shall be evidenced by a Performance Unit Agreement that shall specify the Performance Goals, the Performance Period and the number of Performance Units to which it pertains.

8.3 Performance Period. The period of performance ("Performance Period") with respect to each Performance Unit shall be such period of time, which shall not be less than one year, nor more than five years, as determined by the Committee, for the measurement of the extent to which Performance Goals are attained. The Performance Period may commence prior to the date of grant of the Performance Unit to which it relates, provided that at such time the attainment of the Performance Goal is substantially uncertain and not more than 25% of the Performance Period has expired.

8.4 Performance Goals. The goals ("Performance Goals") that are to be achieved with respect to each Performance Unit shall be those objectives established by the Committee as it deems appropriate, and which may relate to the net income, growth in net income, earnings per share, growth of earnings per share, return on equity or return on capital, of the Company, or any other performance objectives relating to the Company, a Subsidiary or regional or other operating unit of the Company, or the individual Participant. Each Performance Unit Agreement shall specify a minimum acceptable level of achievement with respect to the Performance Goals below which no payment will be made and shall set forth a formula for determining the payment to be made if performance is at or above such minimum based upon a range of performance levels relating to the Performance Goals. The Committee shall certify that the Performance Goals for Awards of Performance Units under the Plan have been satisfied prior to the determination and payment of any such incentive in accordance with the Plan.

8.5 Adjustment of Performance Goals. The Committee may adjust Performance Goals and the related minimum acceptable level of achievement if, in the sole judgment of the Committee, events or transactions occur subsequent to the date of grant which are unrelated to

the performance of the Participant and which the Committee expects to have a substantial effect on the ability of the Participant to attain the Performance Goals. If a Participant is promoted, demoted or transferred to a Subsidiary or different operating division of the Company during a Performance Period, then, to the extent that the Committee determines the Performance Goals or Performance Period are no longer appropriate, the Committee may, but shall not be required to, adjust, change or eliminate the Performance Goals or the applicable Performance Period as it deems appropriate in order to make them appropriate and comparable to the initial Performance Goals or Performance Period. Notwithstanding the foregoing, the Committee shall not be entitled to adjust, change or eliminate any Performance Goals or Performance Period if the exercise of such discretion would cause the related compensation to fail to qualify as performance-based compensation within the meaning of Section 162(m) of the Code.

8.6 Termination of Employment. If the employment of a Participant shall terminate prior to the expiration of the Performance Period for any reason other than for death, Disability or Retirement, the Performance Units then held by the Participant shall terminate. In the case of termination of employment by reason of death, Disability or Retirement of a Participant prior to the expiration of the Performance Period, any then outstanding Performance Units of such Participant shall be payable in an amount equal to the maximum amount payable under the Performance Unit multiplied by a percentage equal to the percentage that would have been earned under the terms of the Performance Unit Agreement assuming that the rate at which the Performance Goals have been achieved as of the date of such termination of employment would have continued until the end of the Performance Period; provided, however, that if no maximum amount payable is specified in the Performance Unit Agreement, the amount payable shall be such amount as the Committee shall determine is reasonable.

8.7 Payment Upon Change in Control. Upon a Change in Control, any then outstanding Performance Units shall become fully vested and immediately payable in an amount which is equal to the greater of (a) the maximum amount payable under the Performance Unit multiplied by a percentage equal to the percentage that would have been earned under the terms of the Performance Unit Agreement assuming that the rate at which the Performance Goals have been achieved as of the date of such Change in Control would have continued until the end of the Performance Period or (b) the maximum amount payable under the Performance Unit multiplied by the percentage of the Performance Period completed by the Participant at the time of the Change in Control; provided, however, that if no maximum amount payable is specified in the Performance Unit Agreement, the amount payable shall be such amount as the Committee shall determine is reasonable.

8.8 Payment of Performance Units. Subject to such terms and conditions as the Committee may impose, and unless otherwise provided in the Performance Unit Agreement, Performance Units shall be payable within 90 days following the end of the Performance Period during which the Participant attained at least the minimum acceptable level of achievement under the Performance Goals, or 90 days following a Change in Control, as applicable. The Committee, in its discretion, may determine at the time of payment required in connection with a Performance Unit whether such payment shall be made (a) solely in cash or (b) up to 50% in

shares of Common Stock (valued at their Fair Market Value as of the close of business on the date preceding the date of payment) with the balance in cash; provided, however, that if a Performance Unit becomes payable upon a Change in Control, the Performance Unit shall be paid solely in cash.

8.9 Designation of Beneficiary. Each Participant may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom the right to receive payments under a Performance Unit is to be paid in case of the Participant's death before receiving any or all such payments. Each such designation shall revoke all prior designations by the Participant, shall be in a form prescribed by the Company and shall be effective only when filed by the Participant in writing with the Committee during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

ARTICLE 9. AMENDMENT, MODIFICATION AND TERMINATION

9.1 Termination Date. The Plan shall terminate on the earliest to occur of (a) the tenth anniversary of the Effective Date, (b) the date when all shares of Common Stock available under the Plan shall have been acquired and the payment of all benefits in connection with Performance Unit Awards has been made or (c) such other date as the Board may determine in accordance with Section 9.2.

9.2 Amendment, Modification and Termination. The Board may, at any time, amend, suspend, modify or terminate the Plan provided that (a) no amendment shall be made without stockholder approval if such approval is necessary to satisfy any applicable tax or regulatory law or regulation and the Board determines it is appropriate to seek stockholder approval, and (b) upon or following the occurrence of a Change in Control no amendment may adversely affect the rights of any Person in connection with an Award previously granted. The Committee may amend the terms of any Award, prospectively or retroactively, but no such amendment shall impair the rights of any Participant without such Participant's consent. Each Option and certain Performance Units granted under the Plan are intended to be performance-based compensation within the meaning of Section 162(m) of the Code. The Committee shall not be entitled to exercise any discretion otherwise authorized hereunder with respect to such Options or Performance Units if the ability to exercise such discretion or the exercise of such discretion itself would cause the compensation attributable to such Options or Performance Units to fail to qualify as performance-based compensation.

9.3 Awards Previously Granted. No amendment, modification or termination of the Plan shall in any manner adversely affect any outstanding Award without the written consent of the Participant holding such Award.

ARTICLE 10. NON-TRANSFERABILITY

A Participant's rights under this Plan may not be assigned, pledged or otherwise transferred other than by will or the laws of descent and distribution, except that upon a

Participant's death, the Participant's rights to payment pursuant to a Performance Unit may be transferred to a beneficiary designated in accordance with Section 8.9. Notwithstanding anything herein to the contrary, in the case of NQSOs, the Committee may, in its sole discretion, by appropriate provisions in the Participant's Option Agreement, permit the Participant to transfer all or a portion of the Option, without consideration, to (i) the Participant's spouse or lineal descendants ("Family Members"), (ii) a trust for the exclusive benefit of Family Members, (iii) a charitable remainder trust of which the Participant and/or Family Members are the exclusive beneficiaries (other than the charitable beneficiary), or (iv) a partnership or a limited liability company in which the Participant and Family Members are the sole partners or members, as applicable. In the event that any Option is transferred by a Participant in accordance with the provisions of the immediately preceding sentence, then subsequent transfers of the Option by the transferee shall be prohibited. For purposes of the Option Agreement and the Plan, the term "Optionee" shall be deemed to refer to the transferee wherever applicable, and the provisions of Section 6.7 regarding termination of employment shall refer to the Participant, not the transferee, but the transferee shall be permitted to exercise the Option during the period provided for in Section 6.7 and the Participant's Option Agreement following the Participant's termination of employment.

ARTICLE 11. NO GRANTING OF EMPLOYMENT RIGHTS

Neither the Plan, nor any action taken under the Plan, shall be construed as giving any person the right to become a Participant, nor shall participation in, or any grant of an Award under, the Plan be construed as giving a Participant any right with respect to continuance of employment or service by or to the Company. The Company expressly reserves the right to terminate, whether by dismissal, discharge or otherwise, a Participant's employment or consulting or other business relationship at any time, with or without Cause, except as may otherwise be expressly provided by any written agreement between the Company and the Participant.

ARTICLE 12. WITHHOLDING

12.1 Tax Withholding. A Participant shall remit to the Company an amount sufficient to satisfy Federal, state and local taxes (including the Participant's FICA obligation) required by law to be withheld with respect to any grant, exercise or lapse of restrictions made under, or occurring as a result of, the Plan.

12.2 Share Withholding. If the Company has a withholding obligation upon the issuance of Common Stock under the Plan, a Participant may, subject to the discretion of the Committee, elect to satisfy the withholding requirement, in whole or in part, by having the Company withhold shares of Common Stock having a Fair Market Value on the date the withholding tax is to be determined equal to the amount required to be withheld under applicable law. Notwithstanding the foregoing, the Committee may, by the adoption of rules or otherwise, modify the provisions of this Section 12.2 or impose such other restrictions or limitations on such elections as may be necessary to insure that such elections will be exempt transactions

under Section 16(b) of the Exchange Act.

ARTICLE 13. INDEMNIFICATION

No member of the Board or the Committee, nor any officer or Employee acting on behalf of the Board or the Committee, shall be personally liable for any action, determination or interpretation taken or made with respect to the Plan, and all members of the Board, the Committee and each and any officer or Employee of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action, determination or interpretation.

ARTICLE 14. SUCCESSORS

All obligations of the Company with respect to Awards granted under the Plan shall be binding on any successor to the Company, whether the existence of such successor is a result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business or assets of the Company.

ARTICLE 15. GOVERNING LAW

The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware without regard to its conflict of laws rules; provided, however, that with respect to ISOs, the Plan and all agreements under the Plan shall be construed so that they qualify as incentive stock options within the meaning of Section 422 of the Code.

IN WITNESS WHEREOF, Papa John's International, Inc. has caused this 1999 Team Member Stock Ownership Plan to be executed this 25th day of February, 1999.

PAPA JOHN'S INTERNATIONAL, INC.

By: /s/ John H. Schnatter

John H. Schnatter
Chairman of the Board and Chief Executive Officer

Exhibit 11 - Calculation of Earnings per Share

(In thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	June 27, 1999	June 28, 1998	June 27, 1999	June 28, 1998

Basic Earnings per Share:				
Income before cumulative effect of a change in accounting principle	\$ 12,334	\$ 8,631	\$ 23,716	\$ 16,140
Weighted average shares outstanding	30,166	29,493	30,066	29,392
	-----	-----	-----	-----
Basic earnings per share	\$ 0.41	\$ 0.29	\$ 0.79	\$ 0.55
	=====	=====	=====	=====
Diluted Earnings per Share:				
Income before cumulative effect of a change in accounting principle	\$ 12,334	\$ 8,631	\$ 23,716	\$ 16,140
Weighted average shares outstanding	30,166	29,493	30,066	29,392
Dilutive effect of outstanding common stock options	899	1,157	1,016	1,005
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Diluted weighted average shares outstanding	31,065	30,650	31,082	30,397
	-----	-----	-----	-----
Diluted earnings per share	\$ 0.40	\$ 0.28	\$ 0.76	\$ 0.53
	=====	=====	=====	=====

6-MOS
DEC-26-1999
DEC-28-1998
JUN-27-1999
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23,716
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0.76