

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 SEPTEMBER 29, 1996

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)

11492 BLUEGRASS PARKWAY, SUITE 175  
LOUISVILLE, KENTUCKY 40299-2334  
(Address of principal executive offices)

(502) 266-5200  
(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       -----

At October 30, 1995, there were outstanding 19,143,196 shares of the registrant's common stock, par value \$.01 per share. This does not reflect a 3-for-2 stock split, to be effected in the form of a 50% stock dividend, for holders of record on November 8, 1996, and with an effective date of November 22, 1996.

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PAPA JOHN'S INTERNATIONAL, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>  
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	September 29, 1996 (Unaudited)	December 31, 1995 (Note)
	-----	-----
<S>	<C>	<C>
(In thousands)		
Assets		
Current assets:		
Cash and cash equivalents.....	\$ 19,169	\$ 19,904
Accounts receivable.....	12,839	10,198
Inventories.....	5,772	5,188
Deferred pre-opening costs.....	2,449	1,936
Prepaid expenses and other current assets..	1,681	1,092
	-----	-----
Total current assets.....	41,910	38,318
Investments.....	67,730	24,394
Net property and equipment.....	71,606	56,699
Notes receivable from franchisees.....	6,339	837
Other assets.....	11,111	8,571
	-----	-----
Total assets.....	\$198,696	\$128,819
	=====	=====
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable.....	\$ 10,503	\$ 9,388
Accrued expenses.....	7,714	6,432
Current maturities of long-term debt.....	695	830
Deferred income taxes.....	298	250
	-----	-----
Total current liabilities.....	19,210	16,900
Unearned franchise and development fees.....	3,022	2,678
Long-term debt, less current maturities.....	1,505	1,680
Deferred income taxes.....	1,481	1,034
Other long-term liabilities.....	230	245
Stockholders' equity:		
Preferred stock.....	--	--
Common stock.....	287	268
Additional paid-in capital.....	142,270	88,043
Unrealized loss on investments.....	(288)	(263)
Deferred compensation.....	(36)	(4)
Retained earnings.....	31,507	18,842
	-----	-----
Reaquired treasury stock.....	(492)	(604)
	-----	-----
Total stockholders' equity.....	173,248	106,282
	-----	-----
Total liabilities and stockholders' equity..	\$198,696	\$128,819
	=====	=====

</TABLE>

Note: The balance sheet at December 31, 1995 has been derived from the audited financial statements at that date but does not include all information and footnotes required by generally accepted accounting principles for complete financial statements.

See accompanying notes.

PAPA JOHN'S INTERNATIONAL, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (Unaudited)

<TABLE>  
 <CAPTION>

	Three Months Ended		Nine Months Ended	
	September 29, 1996	September 24, 1995	September 29, 1996	September 24, 1995
<S>	<C>	<C>	<C>	<C>
(In thousands, except per share amounts)				
Revenues:				
Restaurant sales	\$42,311	\$27,164	\$118,085	\$ 74,965
Franchise royalties	4,506	3,411	12,699	9,603
Franchise and development fees	1,211	797	3,032	2,553
Commissary sales	37,153	26,295	104,011	71,764
Equipment and other sales	7,548	4,744	19,308	12,857
Total revenues	92,729	62,411	257,135	171,742
Costs and expenses:				
Restaurant expenses:				
Cost of sales	12,170	7,671	33,632	21,303
Salaries and benefits	11,300	7,308	31,467	20,220
Advertising and related costs	4,016	2,635	11,145	7,371
Occupancy costs	2,288	1,529	6,058	3,924
Other operating expenses	5,811	3,636	16,012	10,063
	35,585	22,779	98,314	62,881
Commissary, equipment and other expenses:				
Cost of sales	35,474	25,299	98,302	68,475
Salaries and benefits	2,357	1,808	6,607	4,919
Other operating expenses	2,791	1,820	7,820	5,268
	40,622	28,927	112,729	78,662
General and administrative expenses				
Depreciation	2,415	1,390	6,495	4,059
Amortization	1,233	631	3,388	1,789
Total costs and expenses	86,210	58,564	239,791	161,188
Operating income	6,519	3,847	17,344	10,554
Other income:				
Investment income	1,098	374	2,445	1,129
Other	183	87	315	201
Income before income taxes	7,800	4,308	20,104	11,884
Income tax expense	2,886	1,542	7,439	4,421
Net income	\$ 4,914	\$ 2,766	\$ 12,665	\$ 7,463
Net income per share	\$ 0.17	\$ 0.11	\$ 0.46	\$ 0.30
Weighted average shares outstanding	28,671	25,253	27,776	24,651

</TABLE>  
 See accompanying notes.

PAPA JOHN'S INTERNATIONAL, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
 (Unaudited)

<TABLE>  
 <CAPTION>

Total	Common Stock			Additional Paid-In Capital	Unrealized Gain(Loss) on Investments	Deferred Compensation	Retained Earnings	Reacquired Treasury Stock
	Shares Authorized	Shares Issued	Par Value					
Stockholders' Equity								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>								
(In thousands)								

Balance at December 25, 1994 \$ 62,609	35,000	24,328	\$243	\$ 55,628	\$(651)	\$(37)	\$ 8,039	\$(613)
Issuance of common stock 30,821	--	1,854	19	30,802	--	--	--	--
Exercise of stock options 404	--	222	2	402	--	--	--	--
Stock compensation and other 43	--	--	--	--	--	27	--	16
Tax benefit related to exercise of non-qualified stock options 1,144	--	--	--	1,144	--	--	--	--
Change in unrealized gain (loss) on investments 423	--	--	--	--	423	--	--	--
Net income 7,463	--	--	--	--	--	--	7,463	--
-----	-----	-----	-----	-----	-----	-----	-----	-----
Balance at September 24, 1995 \$102,907	35,000	26,404	\$264	\$ 87,976	\$(228)	\$(10)	\$15,502	\$(597)
=====	=====	=====	=====	=====	=====	=====	=====	=====
-----	-----	-----	-----	-----	-----	-----	-----	-----
Balance at December 31, 1995 \$106,282	35,000	26,769	\$268	\$ 88,043	\$(263)	\$(4)	\$18,842	\$(604)
Issuance of common stock 50,555	--	1,708	17	50,538	--	--	--	--
Exercise of stock options 1,192	--	168	1	1,191	--	--	--	--
Stock compensation and other 118	--	--	--	38	--	(32)	--	112
Tax benefit related to exercise of non-qualified stock options 1,006	--	--	--	1,006	--	--	--	--
Acquisitions 1,455	--	52	1	1,454	--	--	--	--
Change in unrealized gain (loss) on investments (25)	--	--	--	--	(25)	--	--	--
Net income 12,665	--	--	--	--	--	--	12,665	--
-----	-----	-----	-----	-----	-----	-----	-----	-----
Balance at September 29, 1996 \$173,248	35,000	28,697	\$287	\$142,270	\$(288)	\$(36)	\$31,507	\$(492)
=====	=====	=====	=====	=====	=====	=====	=====	=====

</TABLE>  
See accompanying notes.

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PAPA JOHN'S INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

<TABLE>  
<CAPTION>

	Nine Months Ended	
	September 29, 1996	September 24, 1995
	-----	-----
<S>	<C>	<C>
(In thousands)		
Operating activities		
Net cash provided by operating activities	\$ 18,108	\$ 6,763
Investing activities		
Purchase of property and equipment	(21,104)	(26,447)
Purchase of investments	(52,094)	(9,349)
Proceeds from sale or maturity of investments	9,225	5,808
Loans to franchisees	(5,502)	(100)
Acquisitions	(30)	(643)
Other	(1,238)	(107)
	-----	-----
Net cash used in investing activities	(70,743)	(30,838)
Financing activities		
Proceeds from issuance of long-term debt	--	2,000
Payments on long-term debt	(837)	(937)
Proceeds from issuance of common stock	50,555	30,171
Proceeds from exercise of stock options	1,192	404

Tax benefit related to exercise of non-qualified stock options	1,006	1,144
Other	(16)	236
	-----	-----
Net cash provided by financing activities	51,900	33,018
	-----	-----
Net (decrease) increase in cash and cash equivalents	(735)	8,943
Cash and cash equivalents at beginning of period	19,904	12,773
	-----	-----
Cash and cash equivalents at end of period	\$ 19,169	\$ 21,716
	=====	=====

</TABLE>

See accompanying notes.

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PAPA JOHN'S INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

September 29, 1996

NOTE 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 nine months ended September 29, 1996, are not necessarily indicative of the results that may be expected for the year ended December 29, 1996. For further information, refer to the consolidated financial statements and footnotes thereto included in the Papa John's International, Inc. Annual Report on Form 10-K for the year ended December 31, 1995.

Certain prior year data has been reclassified to conform to the 1996 presentation.

NOTE 2 -- BUSINESS COMBINATIONS

In February 1996, the Company purchased the assets and assumed certain liabilities of one Papa John's restaurant in Floyd Knobs, Indiana, from Educators, Inc., a franchisee, for \$60,000. The purchase price consisted of a cash payment of \$30,000 and the issuance of 1,589 shares of Company stock.

In May 1996, the Company purchased the assets and assumed certain liabilities of three Papa John's restaurants in Indianapolis, Indiana from Acumen, Inc., a franchisee. The purchase price was approximately \$1,425,000 consisting solely of 50,211 shares of Company common stock.

The above business combinations were accounted for by the purchase method of accounting.

Subsequent to quarter-end, the Company acquired Nortex Pizza, L.P. ("Nortex"), a franchisee of eighteen Papa John's restaurants in the Dallas, Texas market. The Company issued 46,593 shares of its common stock (valued at \$1.5 million on the date the agreement was reached) in exchange for all of the issued and outstanding capital stock of Nortex. In addition, the Company retired \$3.5 million of Nortex debt at the closing (see Note 3).

The Nortex acquisition will be accounted for as a pooling of interests. The acquisition is not considered significant for restatement of prior financial statements and the pro forma impact is not material.

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NOTE 3 -- FRANCHISEE LOAN PROGRAM

The Company has established a program under which selected franchisees may borrow funds for use in the construction and development of their restaurants. At September 29, 1996, loans outstanding to franchisees were approximately \$6.3 million. Such loans bear interest at fixed or floating rates (ranging from 5.5% to 9.25% at September 29, 1996), and are generally secured by the fixtures, equipment, signage and, where applicable, land of each restaurant and the ownership interests in the franchisee. Approximately \$3.5 million of the total franchisee loans outstanding at September 29, 1996 was retired subsequent to quarter-end in connection with the Nortex acquisition (see Note 2).

NOTE 4 -- FINANCING ARRANGEMENTS

In April 1996, the Company purchased 6 acres of land in Louisville, Kentucky for approximately \$787,000. Of the total purchase price, approximately \$520,000 was financed through a non-interest bearing promissory note. The note requires quarterly principal payments through October 1996, at which time the note will be paid in full. The land is adjacent to 31 previously purchased acres which will be the site of the Company's corporate headquarters and Kentucky commissary facility.

The Company's revolving credit agreement was amended effective June 30, 1996, increasing the amount of maximum available borrowings to \$10 million. The amended agreement expires on June 29, 1997, at which time any unpaid balance is due and payable.

NOTE 5 -- COMMON STOCK OFFERING

In May 1996, the Company completed a public offering of 1,707,750 shares of its common stock at a price of \$31.50 per share. The net proceeds to the Company of the offering were approximately \$50.6 million.

NOTE 6 -- STOCK SPLIT

The Board of Directors approved a 3-for-2 stock split on October 29, 1996, to be effected in the form of a 50% stock dividend, to stockholders of record on November 8, 1996 with an effective date of November 22, 1996. All share data included in these condensed consolidated financial statements have been restated to reflect this stock split.

NOTE 7 -- PJ AMERICA, INC. STOCK WARRANT

PJ America, Inc. ("PJ America"), a franchisee of the Company, completed an initial public offering ("IPO") of its common stock effective October 25, 1996. In connection with the IPO, PJ America issued a warrant to purchase 225,000 shares of its common stock to the Company. The warrant is exercisable in whole or in part at any time within 5 years from the closing date of the IPO, and the purchase price of each share of common stock pursuant to the warrant is \$11.25 per share (90% of the IPO price of \$12.50 per share). The warrant was issued by PJ America to the Company in consideration for the guarantee by the Company of rights to enter into development agreements for certain specified territories and the waiver by the Company of certain market transfer fees. The

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Company's agreement with PJ America anticipates that PJ America will pay standard development and franchise fees in connection with opening restaurants in the specified territories.

The Company will not recognize income in connection with receipt of the warrant. The warrant will be classified as an available-for-sale security, and accordingly, will be stated at fair value in the balance sheet, with unrealized gains reported as a separate component of stockholders' equity. The intrinsic value of the warrant (market value of PJ America common stock less the exercise price of the warrant) will be considered a reasonable approximation of the fair value of the warrant.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

<TABLE>  
<CAPTION>

RESTAURANT PROGRESSION

<S>	<C>		<C>	
	Three Months Ended Sept. 29, 1996	Sept. 24, 1995	Nine Months Ended Sept. 29, 1996	Sept. 24, 1995
Company-owned:				
-----				
Beginning of period	248	169	217	133
Opened	20	15	48	45
Closed	(1)	--	(2)	--
Acquired	--	--	4	6
	---	---	---	---
End of period	267	184	267	184
	===	===	===	===
Franchised:				
-----				
Beginning of period	752	581	661	499
Opened	62	44	159	133
Closed	(1)	--	(3)	(1)

Sold to Company	--	--	(4)	(6)
	---	---	---	---
End of period	813	625	813	625
	===	===	===	===
Total at end of period	1,080	809	1,080	809
	=====	===	=====	===

</TABLE>

#### RESULTS OF OPERATIONS

Revenues. Total revenues increased 48.6% to \$92.7 million for the three months ended September 29, 1996, from \$62.4 million for the comparable period in 1995, and 49.7% to \$257.1 million for the nine months ended September 29, 1996, from \$171.7 million for the comparable period in 1995.

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Restaurant sales increased 55.8% to \$42.3 million for the three months ended September 29, 1996, from \$27.2 million for the comparable period in 1995, and 57.5% to \$118.1 million for the nine months ended September 29, 1996, from \$75.0 million for the comparable period in 1995. These increases were primarily due to increases of 44.8% and 47.8% in the number of equivalent Company-owned restaurants open during the three and nine months ended September 29, 1996, respectively, compared to the same periods 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 11.5% for the three months ended September 29, 1996, over the comparable period in 1995, for Company-owned restaurants open throughout both periods.

Franchise royalties increased 32.1% to \$4.5 million for the three months ended September 29, 1996, from \$3.4 million for the comparable period in 1995, and 32.2% to \$12.7 million for the nine months ended September 29, 1996, from \$9.6 million for the comparable period in 1995. These increases were primarily due to increases of 31.3% and 30.8% in the number of equivalent franchised restaurants open during the three and nine months ended September 29, 1996, respectively, compared to the same periods in the prior year. Also, sales increased 4.7% for the three months ended September 29, 1996, over the comparable period in 1995, for franchised restaurants open throughout both periods.

Franchise and development fees increased 51.9% to \$1.2 million for the three months ended September 29, 1996, from \$797,000 for the comparable period in 1995, and 18.8% to \$3.0 million for the nine months ended September 29, 1996, from \$2.6 million for the comparable period in 1995. These increases were primarily due to the 62 and 159 franchised restaurants opened during the three and nine months ended September 29, 1996, respectively, versus the 44 and 133 opened during the comparable periods in 1995, an increase of 40.9% and 19.5%, respectively.

Commissary sales increased 41.3% to \$37.2 million for the three months ended September 29, 1996, from \$26.3 million for the comparable period in 1995, and 44.9% to \$104.0 million for the nine months ended September 29, 1996, from \$71.8 million for the comparable period in 1995. These increases were primarily the result of the increases in equivalent franchised restaurants and comparable sales for franchised restaurants noted above. Additionally, sales for the Orlando commissary increased for the three and nine months ended September 29, 1996, versus the comparable periods in 1995 due to its conversion from a dough production facility to a full-service commissary and distribution center beginning in August 1995.

Equipment and other sales increased 59.1% to \$7.5 million for the three months ended September 29, 1996, from \$4.7 million for the comparable period in 1995, and 50.2% to \$19.3 million for the nine months ended September 29, 1996, from \$12.9 million for the comparable period in 1995. These increases were primarily due to the increase in equivalent franchised restaurants open during the three and nine months ended September 29, 1996, as compared to the same periods in 1995, and the increase in franchised restaurants opened during the three and nine months ended September 29, 1996, as compared to the same periods in 1995.

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Costs and Expenses. Restaurant cost of sales, which consists of food, beverage and paper costs, increased as a percentage of restaurant sales to 28.8% for the three months ended September 29, 1996, from 28.2% for the comparable period in 1995, and to 28.5% for the nine months ended September 29, 1996, from 28.4% for the comparable period in 1995. Increasing cheese prices throughout the second and third quarters of 1996 were the primary reason for the higher cost of sales for the three and nine month periods.

Restaurant salaries and benefits (26.7% vs. 26.9% and 26.6% vs. 27.0%),

advertising and related costs (9.5% vs. 9.7% and 9.4% vs. 9.8%) and occupancy costs (5.4% vs. 5.6% and 5.1% vs. 5.2%) all decreased as a percentage of restaurant sales for the three and nine months ended September 29, 1996, as compared to the same periods in 1995. These decreases were primarily the result of efficiencies related to strong restaurant sales during the three and nine months ended September 29, 1996, and a generally maturing restaurant base.

Other restaurant operating expenses increased as a percentage of restaurant sales to 13.7% for the three months ended September 29, 1996, from 13.4% for the comparable period in 1995, and to 13.6% for the nine months ended September 29, 1996, from 13.4% for the comparable period in 1995. Other operating expenses include all other restaurant-level operating costs, the material components of which are automobile mileage reimbursement for delivery drivers, telephone costs, training costs, repairs and maintenance and workers compensation insurance. Other operating expenses also 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 and food and equipment purchasing and storage to Company-owned restaurants.

The increases in other restaurant operating expenses for the three months and nine months ended September 29, 1996 were due to a collection of individually insignificant increases in certain of the above-noted expense components.

Commissary, equipment and other expenses include cost of sales and operating expenses associated with sales of food, paper, equipment, 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 90.9% for the three months ended September 29, 1996, as compared to 93.2% for the same period in 1995, and to 91.4% for the nine months ended September 29, 1996, from 93.0% for the comparable period in 1995. These decreases were primarily due to volume-related efficiencies in commissary operations.

General and administrative expenses decreased as a percentage of total revenues to 6.9% for the three months ended September 29, 1996, as compared to 7.8% for the comparable period in 1995, and to 7.3% for the nine months ended September 29, 1996, from 8.0% for the comparable period in 1995. These decreases were primarily due to improved organizational efficiencies over an increasing revenue base. Also, savings in certain insurance costs have been realized as a result of coverage changes implemented during the fourth quarter of 1995.

Depreciation and amortization increased as a percentage of total revenues to 3.9% for the three months ended September 29, 1996, from 3.2% for the comparable period in 1995, and to 3.8% for

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the nine months ended September 29, 1996, from 3.4% for the comparable period in 1995. Increases in depreciation and amortization for the three and nine month periods due to additional capital expenditures by the Company, the amortization of intangibles related to acquisitions, the amortization of deferred pre-opening costs for newly-opened restaurants and commissaries and the amortization of deferred information systems costs were partially offset by decreases due to a change in estimate of the useful lives of certain restaurant equipment and signage implemented as of the beginning of July 1995. The estimated useful life for ovens and certain other restaurant equipment was extended from five to seven years, and the estimated useful life for restaurant signage was extended from five to ten years to more accurately reflect the economic lives of the assets.

Investment Income. Investment income increased to \$1.1 million for the three months ended September 29, 1996, from \$374,000 for the comparable period in 1995, and to \$2.4 million for the nine months ended September 29, 1996, from \$1.1 million for the comparable period in 1995. These increases were primarily the result of higher average investment balances during 1996 compared to 1995 due to the investment of proceeds from the Company's public offerings of Common Stock in August 1995 and May 1996.

Income Tax Expense. Income tax expense reflects a combined federal, state and local effective tax rate of 37.0% for the three and nine months ended September 29, 1996, versus 37.2% year-to-date in 1995. The decrease in the effective tax rate for 1996 is primarily due to the investment of proceeds from the August 1995 and May 1996 stock offerings in securities which produce tax-exempt investment income, partially offset by the fact that a greater portion of 1996 taxable income will be subject to the 35% federal tax rate as opposed to the 34% rate in 1995.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company requires capital primarily for the development and acquisition of restaurants, the addition of new commissary and support services facilities and equipment and the enhancement of corporate systems and facilities. Capital expenditures of \$21.1 million for the nine months ended September 29, 1996, were primarily funded by cash flow from operations.

Cash flow from operations increased to \$18.1 million for the nine months ended



September 29, 1996, from \$6.8 million for the comparable period in 1995, due primarily to the higher level of net income for the first nine months of 1996. Also, the Company received net proceeds of \$50.6 million from a May 1996 public offering of approximately 1.7 million shares of its common stock.

In addition to restaurant development and possible acquisitions, significant capital projects for the next twelve months are expected to include the construction of new commissaries in Rotterdam, New York and Des Moines, Iowa, and a distribution center in Phoenix, Arizona. The Company also expects to construct a 250,000 square foot facility in Louisville, Kentucky, scheduled for completion in late 1997, approximately one-half of which will accommodate relocation and expansion of the Louisville commissary facility and Novel Approach promotional division and the remainder of which will accommodate relocation and consolidation of corporate offices.

Additionally, during each of 1996 and 1997 the Company expects to provide approximately six to

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eight million dollars in loans to selected franchisees under a loan program adopted during the second quarter. Approximately \$6.3 million in loans were outstanding under this program as of September 29, 1996, and the amounts actually provided during the remainder of 1996 and 1997 may vary as the Company gains experience with the loan program.

Capital resources available at September 29, 1996, include \$19.2 million of cash and cash equivalents, \$67.7 million of investments and a \$10 million line of credit expiring in June 1997. The Company expects to fund planned capital expenditures and disbursements under the franchise loan program for the next twelve months from these resources and operating cash flows.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

For a description of the significant legal proceedings involving the Company, reference is made to Item 3 of the Company's Annual Report on Form 10-K for the period ended December 31, 1995.

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

#### a. Exhibits

Exhibit Number -----	Description -----
10.1	Amended and restated Loan Agreement dated June 30, 1996, between the Company and PNC Bank, Kentucky, Inc.
10.2	Papa John's International, Inc. 1993 Stock Ownership Incentive Plan, as amended.
10.3	Papa John's International, Inc. 1993 Stock Option Non-Employee Directors, as amended.
27	Financial Data Schedule 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 the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995 (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 September 29, 1996.

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## 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 12, 1996  
-----

/s/ E. Drucilla Milby  
-----

E. Drucilla Milby, Chief Financial  
Officer and Treasurer

THIRD AMENDED AND RESTATED LOAN AGREEMENT  
-----

This is a Third Amended and Restated Loan Agreement dated as of June 30, 1996 ("Agreement"), between:

PNC BANK, KENTUCKY, INC.  
500 West Jefferson Street  
Citizens Plaza  
Louisville, Kentucky 40296 (the "LENDER")

and

PAPA JOHN'S INTERNATIONAL, INC.  
a Delaware Corporation  
P. O. Box 99900  
Louisville, Kentucky 40269-9990 (the "BORROWER")

RECITALS  
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The Borrower and the Lender executed a Loan Agreement dated June 30, 1993, as amended by: 1) a Reimbursement Agreement dated March 14, 1994; 2) a Loan Modification Agreement dated June 9, 1994; 3) an Amended and Restated Loan Agreement dated June 30, 1994; and a Second Amended and Restated Loan Agreement dated June 30, 1995. This Third Amended and Restated Loan Agreement represents a continuation of credit previously extended by the Lender to the Borrower, and a renewal, increase and modification of a revolving credit in the amount of \$10,000,000.00 (the "Revolving Credit"). The Revolving Credit will be used to provide funds for working capital for the Borrower's business operation, as a preauthorization for the issuance of letters of credit on behalf of the Borrower up to an aggregate amount of \$3,000,000.00, and for other purposes as permitted by this Agreement.

NOW, THEREFORE, Borrower, and the Lender agree as follows:

SECTION I  
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Definitions  
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As used in this Agreement, the following terms and phrases shall have the meanings set out after them:

"Borrower Documents" shall mean, collectively, this Agreement and all agreements, documents or instruments referred to in this Agreement which are to be now or hereafter executed

by Borrower, and any other document to be executed by Borrower which relates to this Agreement.

"CPA Firm" shall mean Borrower's firm of certified public accountants which regularly performs accounting services for Borrower and which firm is reasonably satisfactory to the Lender. Ernst & Young is specifically approved by the Lender as the CPA Firm.

"Current Liabilities" shall mean the amount of Borrower's total current liabilities determined in accordance with GAAP.

"Debt Service" shall mean current maturities of all long term debt, plus cash interest expense on all Indebtedness.

"EBIDT" shall mean earnings before interest and taxes, plus non-cash expenses such as depreciation and amortization, all computed in accordance with GAAP.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and any regulations promulgated thereunder.

"Event of Default" shall mean any one of the occurrences which are Events of Default under Section VIII of this Agreement.

"Fiscal Year" shall mean the Borrower's standard annual reporting period for tax reporting and GAAP accounting purposes, which currently consists of a 52-53 week period ending on the last Sunday of each calendar year.

"Funded Debt" shall mean all long term debt, plus short term debt to banks and other financial institutions.

"GAAP" shall mean generally accepted accounting principles consistently applied, as in effect in the United States from time to time.

"Indebtedness" shall mean all obligations, contingent or otherwise, which should be classified on the obligor's balance sheet as liabilities in accordance with GAAP, and including (a) liabilities (whether or not they should be so classified upon such balance sheet) secured by any mortgage, pledge, security interest, lien, charge or other encumbrance existing on property owned or acquired subject thereto, whether or not the liability secured shall have been assumed or the owner or acquirer of the property otherwise has corporate liability therefor, (b) all obligations with respect to any undertaking to pay or be responsible for the obligations of any other party, or to purchase an obligation owed by any other party, or to purchase assets to enable any other party to discharge one or more of its obligations, whether or not reflected on the balance sheet or in a footnote, and (c) obligations with respect to deferred taxes, and to leases which in accordance with GAAP should be capitalized on the balance sheet.

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"Loans" shall mean, collectively, the aggregate of all Revolving Credit Loans, and the interest on all extensions of credit made by the Lender pursuant to this Agreement.

"Note" shall mean the Revolving Credit Note.

"Offered Rate" shall mean the rate per annum determined in the Lender's sole discretion, as offered from time to time by the Lender to the Borrower as the rate at which the Lender would advance funds to the Borrower in the principal amount requested for the interest period requested.

"Person" shall mean any individual, firm, tenant, partnership, corporation or business organization.

"Prime Rate" shall mean the interest rate per annum most recently designated and announced publicly from time to time by Lender as its Prime Rate in effect at its principal office and does not necessarily represent the lowest rate of interest offered by Lender to any customer. Each change in the Prime Rate shall become effective without notice to the Borrower on the day of any change in the Prime Rate.

"Revolving Credit" shall have the meaning given it in the Recitals and in Section II of this Agreement.

"Revolving Credit Loan" shall mean any single extension of credit by the Lender to Borrower pursuant to Section 2.4 of this Agreement, and the total of all existing Revolving Credit Loans outstanding at any one time within the limitations of Section 2.5 of this Agreement.

"Revolving Credit Note" shall mean the revolving credit note of Borrower, the form of which is attached to this Agreement as Annex A, evidencing Borrower's obligation to repay the Revolving Credit Loans, and any instrument in renewal, replacement, reissuance, extension, or novation of that note.

"Solvent" shall mean, when used with respect to any Person or entity, that:

(a) the present fair saleable value of such person's or entity's assets is in excess of the total amount of such person's or entity's liabilities;

(b) such person or entity is able to pay its debts as they become due; and

(c) such person or entity does not have unreasonably small capital to carry on (i) such person's or entity's business as

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theretofore operated, and (ii) all businesses in which such person or entity is about to engage.

"Termination Date" shall have the meaning given it in Section 2.2 of this Agreement.

"Unmatured Default" shall mean the happening of any occurrence which, together with the giving of any required notice or the passage of any required period of time, would constitute an Event of Default.

## SECTION II

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The Revolving Credit

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The Lender hereby confirms the renewal of a revolving credit (the "Revolving Credit") in favor of Borrower as follows:

2.1 Amount. The amount of the Revolving Credit is Ten Million Dollars (\$10,000,000.00). Subject to the restrictions contained herein, the Borrower may borrow, repay, and reborrow under the Revolving Credit Loan.

2.2 Term of Revolving Credit. The Revolving Credit becomes effective as of the date of this Agreement, and, unless sooner terminated as provided in this Loan Agreement, shall continue in effect until June 29, 1997 (the "Termination Date"), at which time the Revolving Credit shall terminate.

2.3 Termination of Revolving Credit. The Lender shall have the right, at its sole option and discretion, to terminate the Revolving Credit upon the occurrence of (i) any Event of Default, or (ii) any Unmatured Default and upon giving Borrower a notice of termination. The termination of the Revolving Credit shall not in any way release Borrower from its obligations under this Agreement, nor shall it terminate this Agreement. The provisions of this Agreement and the security interests created shall continue in full force and effect until all amounts owed by Borrower to the Lender, including interest, penalties, and other charges, shall have been paid in full.

2.4 Revolving Credit Loans. Subject to the terms and conditions of this Agreement, so long as the Revolving Credit remains in effect and is not terminated, and no Unmatured Default or Event of Default has occurred, the Lender may, in its sole and absolute discretion, grant Borrower such Revolving Credit Loans as Borrower may request from time to time in accordance with the provisions of this Agreement. The Lender may decline to make Revolving Credit Loans, or terminate the Revolving Credit at any time and for any reason without prior notice to the Borrower. The Revolving Credit is not a committed line of credit. The Revolving Credit Loans shall be evidenced by and payable in accordance with the terms of the form of renewal note

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attached to this Agreement as Annex A and on the terms of this Agreement (in the event of any discrepancy between the terms of the executed Promissory Note and this Agreement, the terms of the Promissory Note shall prevail).

2.5 Maximum Amount. At no time shall the aggregate unpaid principal balance of all Revolving Credit Loans made pursuant to this Agreement which are outstanding at any one time exceed Ten Million Dollars (\$10,000,000.00).

2.6 Purpose of Revolving Credit Loans. Proceeds of the Revolving Credit Loans shall be used to provide funds for working capital for the Borrower's business operation, as a preauthorization for the issuance of letters of credit on behalf of the Borrower up to an aggregate amount of \$3,000,000.00, and for other purposes as permitted by this Agreement.

2.7 Procedures and Conditions. Each Revolving Credit Loan obtained by Borrower shall be subject to the following terms and conditions:

(a) Each Revolving Credit Loan obtained by Borrower shall be in increments of \$1,000.00 with a minimum principal amount of Ten Thousand Dollars (\$10,000.00).

(b) Whenever Borrower wishes to obtain a Revolving Credit Loan it shall notify the Lender in writing no less than one (1) banking day prior to the day on which it wishes to have the funds made available, specifying the amount of the Revolving Credit Loan requested, and the date on which Borrower wishes the funds to be made available.

(c) Borrower shall not be entitled to obtain any Revolving Credit Loan if such Revolving Credit Loan would cause the aggregate principal balance of the Revolving Credit Loans to exceed \$10,000,000.00 or any Event of Default or Unmatured Default shall exist at the time of the making of the request for disbursement, or would exist upon the making of the Revolving Credit Loan requested, even if the Lender does not elect to terminate the Revolving Credit as a result of such Event of Default or Unmatured Default.

(d) All Revolving Credit Loans shall be made in strict compliance with the terms and provisions of this Agreement, unless the Lender elects in its sole discretion to waive any of those terms and conditions. The waiver of any terms and conditions with respect to any one Revolving Credit Loan shall not constitute a waiver of the same or any other terms or conditions with respect to any other Revolving Credit Loan.

(e) Each request by Borrower for a Revolving Credit Loan hereunder shall constitute the making of the following representations and warranties by Borrower to the Lender:

(1) That Borrower is then, and at the time the Revolving Credit Loan actually is made will be, entitled under this Agreement to obtain

(2) That all of the covenants, agreements, representations and warranties made by Borrower in the Borrower Document to which the Borrower is a party and in any writing delivered to the Lender by or on behalf of Borrower are true, correct and complete, and have been fully complied with, as of such dates.

2.8 Interest on the Revolving Credit Loans. The Borrower shall have the option of selecting one of the three following rates of interest for each Revolving Credit Loan. The Borrower must select either an interest rate tied to the Prime Rate (Option A below), or tied to the LIBOR rate (Option B below), or at the Offered Rate (Option C below), in writing to the Lender at least three business days prior to a request by Borrower for a Revolving Credit Loan hereunder:

OPTION A: Prime Rate Minus 100 Basis Points. The unpaid principal balance of the Revolving Credit Loans shall bear interest at an annual rate equal to the Prime Rate minus 100 basis points [one percentage point (1.0%)], until the entire principal balance of the Revolving Credit Loans and all accrued interest thereon has been paid. The interest rate on the Revolving Credit Loans shall be adjusted, from time to time, on the same date on which the Prime Rate is changed by the Lender. All interest on the Revolving Credit Loans shall be computed and based upon the actual days elapsed over an assumed year of 360 days.

OPTION B: LIBOR Plus 50 Basis Points. The unpaid principal balance of the Revolving Credit Loans shall bear interest at an annual rate equal to LIBOR (as defined in the Note) at 30, 60, 90 or 180 days, plus 50 basis points [fifty hundredths percent (.50%)], until the entire principal balance of the Revolving Credit Loans and all accrued interest thereon has been paid. All interest on the Revolving Credit Loans shall be computed and based upon the actual days elapsed over an assumed year of 360 days, and all terms relating to the LIBOR rate shall be otherwise governed by the terms of the Note.

OPTION C: Offered Rate. The unpaid principal balance of the Revolving Credit Loans shall bear interest at an annual rate equal to the Offered Rate (as defined in Section I hereof) until the entire principal balance of the Revolving Credit Loans and all accrued interest thereon has been paid. All interest on the Revolving Credit Loans shall be computed and based upon the actual days elapsed over an assumed year of 360 days.

SECTION III

Notations and Payment of the Loans

3.1 Notation of Disbursements and Payments. Disbursements of, and payments of principal with respect to, the Loans shall be recorded by Lender through its automated data processing equipment, and the aggregate amount of all Loans made by the Lender and shown on the Lender's computer records, less the amount of payment of principal made by Borrower and

recorded on the Lender's computer records, shall be the principal amount outstanding under the Loans, and shall be prima facie evidence of the unpaid amount of principal outstanding under the Loan.

3.2 Revolving Credit Note Principal Payments. Borrower shall pay to the Lender the outstanding principal balance of all Revolving Credit Loans on the Termination Date.

3.3 Revolving Credit Note Interest Payments. Commencing August 1, 1996, and on the first day of each calendar month thereafter (through and including payment in full of the outstanding principal balance of the Revolving Credit Loans at maturity) or upon acceleration as provided in this Agreement, Borrower shall pay all accrued but unpaid interest on the outstanding principal balance of the Revolving Credit Loans.

3.4 Prepayments of Revolving Credit Note. If the Borrower selects a rate of interest tied to the Lender's Prime Rate, or at the Offered Rate, the Borrower may at any time, without penalty or premium, prepay the Revolving Credit Note in whole or in part. All prepayments made by Borrower with respect to the Revolving Credit Note shall be in increments of \$1,000 with a minimum prepayment of \$5,000 and shall be applied to payment of principal of the Revolving Credit Loans which, according to the records of the Lender, have been most recently disbursed. If the Borrower selects a rate of interest tied to LIBOR, the Revolving Credit Loan may not be prepaid prior to the maturity date of the interest period selected by the Borrower, without paying a prepayment penalty as set forth in the Note.

SECTION IV

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Security for Loans

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The Notes and the Loans evidenced thereby are and shall be secured by, and entitled to the benefits of the right of set-off (or offset) provided in Section 9.1 of this Agreement.

SECTION V

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Conditions Precedent

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5.1 Conditions Precedent to the First Loan. The Lender's obligation to make Loans shall be conditioned upon the fulfillment of all the following conditions prior to the making of the first Revolving Credit Loan:

(a) Resolutions. Borrower shall have furnished the Lender with certified copies of the resolutions of its respective boards of directors (i) authorizing the execution, as appropriate, of this Agreement, the Note, and any other documents, instruments and agreements referred to

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herein which are required to be executed and delivered by Borrower, and (ii) authorizing consummation of the transactions contemplated by this Agreement.

(b) Certificates of Incumbency. Borrower shall have furnished the Lender with a certificate of its secretary certifying (i) the names of the officers of Borrower authorized to sign the Borrower documents, together with the true signatures of such officer(s), and (ii) a copy of its articles and bylaws.

(c) Executed Agreements. Borrower shall have duly executed and delivered, or caused any other appropriate Person to execute and deliver, to the Lender the following:

- (1) this Agreement;
- (2) the Revolving Credit Note;
- (3) evidence reasonably satisfactory to the Lender that all insurance binders, certificates and/or policies required by Section 6.1 of this Agreement are issued and in effect.

(d) Representations and Warranties. Each and every representation and warranty made by or on behalf of Borrower relating to the Borrower Documents or the transactions contemplated thereby shall be true, complete and correct on and as of the date such Loan is to be made.

(e) No Defaults. There shall exist no Event of Default or Unmatured Default which has not been cured to the Lender's satisfaction.

(f) No Change in Condition. There shall have been no material adverse change in the condition, financial or otherwise, of Borrower, on a consolidated basis, from that existing on the date of the financial statements described in Section 6.3 of this Agreement.

(g) Documentation. Borrower shall have complied with Section 2.7 of this Agreement in all respects, and delivered all documents and instruments required thereby.

5.2 Conditions Precedent to Subsequent Loans. The Lender's obligation to make Revolving Credit Loans after the making of the first Revolving Credit Loan shall be conditioned upon the fulfillment of the conditions set out in paragraphs (d), (e), (f) and (g) of Section 5.1 of this Agreement prior to making of each such Revolving Credit Loan.

SECTION VI

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General Covenants

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During the term of this Agreement, Borrower shall comply with all of the following provisions:

6.1 Insurance. Borrower shall maintain insurance as follows:

(a) Liability Insurance. Borrower, at its own cost and expense, shall procure, maintain and carry in full force and effect "occurrence" type (as opposed to "claims-made" type) general liability and public liability, workers' compensation liability and property damage insurance, with respect to the actions and operations of Borrower to such extent, in such amounts and with such deductibles as are commonly carried by prudent businesses similarly situated, but in any event not less than the amounts of coverage per person and per occurrence, and with the deductibles, as are provided in Borrower's Insurance in effect on the date of this Agreement. Without limiting the foregoing, such insurance shall insure against any liability for loss, injury, damage or claims caused by or arising out of or in connection with the operation of Borrower's business including injury to or death of employees, agents or any other persons and damage to or destruction of public or private property.

(b) Physical Damage Insurance. Borrower, at its own cost and expense, shall insure all of its insurable properties to such extent, against such hazards, in the amount of coverage and with such deductibles as are commonly carried by prudent businesses similarly situated, but in any event insuring against such hazards and with such coverages and deductibles as are provided in Borrower's insurance in effect on the date of this Agreement, and in any event in amounts of coverage not less than the greater of: the outstanding balance under the Loans; or eighty percent (80%) of the insurable value of the property insured.

(c) General Insurance Requirements.

(1) All insurance which Borrower is required to maintain shall be satisfactory to the Lender in form, amount and insurer. Such insurance shall provide that any loss thereunder shall be payable notwithstanding any action, inaction, breach of warranty or condition, breach of declarations, misrepresentation or negligence of Borrower. At or before the making of the first Loan, Borrower shall provide the Lender with certificates evidencing its due compliance with the requirements of this section.

(2) Prior to the expiration date of any policy of insurance maintained pursuant to this Agreement, Borrower shall provide the Lender with a certificate of insurance evidencing the acquisition of a new policy, or an extension or renewal of an existing policy, evidencing Borrower's due compliance with this section.

(3) If Borrower fails to acquire any policy of insurance required to be maintained pursuant to this section, or fails to renew or replace any such policy at least thirty (30) days prior to the expiration thereof, or fail to keep any such policy in full force and effect, the

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Lender shall have the option (but not the obligation) to pay the premiums on any such policy of insurance or to take out new insurance in amount, type, coverage and terms satisfactory to the Lender. Any amounts paid therefore by the Lender shall be immediately due and payable to the Lender by Borrower upon demand. No exercise by the Lender of such option shall in any way affect the provisions of this Agreement, including the provision that failure by Borrower to maintain the prescribed insurance shall constitute an Event of Default.

6.2 Taxes and Other Payment Obligations.

(a) Borrower shall pay and discharge, or cause to be paid and discharged, before any of them become in arrears, all material taxes, assessments, governmental charges, levies, and claims for labor, materials or supplies which if unpaid might become a lien or charge upon any of its property, and all of its other debts, obligations and liabilities.

(b) Borrower may refrain from paying any amount it would be required to pay pursuant to subparagraph (a) of this section if the validity or amount thereof is being contested in good faith by appropriate proceedings timely instituted which shall operate to prevent the collection or enforcement of the obligation contested, provided that Borrower shall have set aside on its books appropriate reserves with respect thereto. If the validity or amount of any such obligations in excess of Five Hundred Thousand Dollars (\$500,000.00) shall be contested pursuant to the provisions of this subparagraph, Borrower shall notify the Lender immediately upon the institution of the proceedings contesting the obligation, and, upon the Lender's request, post a bond or other security reasonably satisfactory to the Lender staying execution or enforcement thereof.

6.3 Financial Statements.

(a) Annual Statements. As soon as available, and in any event within one hundred twenty (120) days after the end of each Fiscal Year, Borrower shall furnish to the Lender an audited balance sheet, income statement, and statement of cash flows showing sources and uses of cash, for such Fiscal Year,



together with comparative figures for the next preceding Fiscal Year prepared by the CPA Firm, together with the opinion of the CPA Firm in substantially the same form as provided in prior years. Together with such audited financial statements and opinion, Borrower shall furnish the Lender with a certificate from the Borrower's Vice President Corporate Controller certifying that he has reviewed the provisions of this Agreement and nothing has come to his attention to cause him to believe that any Event of Default or Unmatured Default exists as of the date of the statement, or, if such is not the case, specifying such Event of Default or Unmatured Default and the nature thereof, and the action Borrower has taken or will take to correct it.

(b) Quarterly Statements. As soon as available, and in any event within forty-five (45) days after the close of each fiscal quarter, Borrower shall furnish the Lender with a balance sheet and income statement, for both the quarter just ended and the portion of the Fiscal

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Year then ended (accompanied by a comparison of such statements to the financial statements for the last preceding annual period previously furnished to the Lender), unaudited but accompanied by a certificate signed by the chief financial officer of Borrower stating that such statements have been properly prepared in accordance with GAAP and are correct (subject to audit and year-end adjustments).

(c) Additional Financial Information. Upon written request of the Lender, the Borrower shall deliver to the Lender:

(1) Promptly upon receipt thereof, all detailed reports, if any, submitted to Borrower by the CPA Firm in connection with each annual audit.

(2) Promptly upon its becoming available, copies of all financial statements, reports, notices or meetings and proxy statements which Borrower shall send to its stockholders.

(3) Within ten days after the filing (i) with the Secretary of State of Delaware, certified copies of all amendments to Borrower's Certificate of Incorporation, and (ii) with the appropriate governmental authority, copies of all regulatory reports, filings or notices which Borrower is required to submit, including but not limited to reports, filings or notices to the SEC, the IRS, OSHA, EPA and the Department of Labor.

(4) Such additional information with respect to its financial condition as may be reasonably requested by the Lender from time to time.

6.4 Financial Records. Borrower shall maintain a standard modern system of accounting in which full, true and correct entries shall be made of all dealings or transactions in relation to its business and affairs in accordance with generally accepted accounting principles applied on a basis consistent with prior years and, without limitation, making appropriate accruals for estimated contingent losses and liabilities.

6.5 Properties. Borrower shall maintain its personal property and fixed assets in good condition, subject only to normal wear and tear, and make all necessary and proper repairs, renewals and replacements. Borrower (i) shall continuously operate its business in accordance with standards reasonably observed in the pizza service industry, and (ii) shall comply with all material leases and other material agreements in order to prevent loss or forfeiture, unless compliance is being contested in good faith by appropriate proceedings timely instituted which shall operate to prevent enforcement of the loss or forfeiture. The Lender shall have the right to inspect Borrower's facilities and other fixed assets at all reasonable times, and from time to time.

6.6 Corporate Existence and Good Standing. Borrower shall preserve its corporate existence in good standing and shall be and remain qualified to do business and in good standing in all states which it is required to be so qualified.

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#### 6.7 Notice Requirements.

(a) Default. Borrower shall cause its President, or in his absence an officer of Borrower designated by it, to notify the Lender in writing within five (5) days, after Borrower, or any of the Borrower's executive officers, has notice of any Event of Default or Unmatured Defaults or has notice that any representation or warranty made in this Agreement, or in any related document or instrument, for any reason was not true and complete and not misleading in any material respect when made. Such notice shall specify the nature of such Event of Default or Unmatured Default and the action Borrower has taken or will take to correct it.

(b) Material Litigation. Borrower promptly shall notify Lender in writing of the institution or existence of any litigation or administrative

proceeding not fully covered by insurance to which Borrower and/or any of the Subsidiaries may be or become a party which might involve any material risk of any judgment or liability which (1) would be in excess of Five Hundred Thousand Dollars (\$500,000.00), or (2) would otherwise result in any material adverse change in, or otherwise substantially affect, Borrower's business, assets or condition, financial or otherwise, and upon the institution thereof, Borrower shall promptly forward a copy of all pleadings to the Lender.

(c) Other Information. From time to time, upon request by the Lender, Borrower shall furnish to the Lender such information regarding Borrower's business, assets and condition, financial or otherwise, as the Lender may reasonably request. The Lender shall have the right during reasonable business hours to examine all of Borrower's business operations and financial books and records and to make notes and abstracts therefrom, to make an independent examination of Borrower's books and records for the purpose of verifying the accuracy of reports delivered by Borrower and ascertaining compliance with this agreement.

6.8 Note. Borrower shall pay the note in accordance with its terms.

6.9 Compliance with Law. Borrower shall comply in all material respects with (a) all valid and applicable statutes, rules and regulations of the United States of America, of the States thereof and its counties, municipalities and other subdivisions and of any other jurisdiction applicable to Borrower; (b) the orders, judgments and decrees of all courts or administrative agencies with jurisdiction over Borrower; or its business; and (c) the provisions of licenses issued to Borrower, except where compliance therewith shall be currently contested in good faith by appropriate proceedings, timely instituted, which shall operate to stay any order with respect to such non-compliance.

6.10 Liens. Borrower shall not (a) create or incur or suffer to be created or incurred or to exist any encumbrance, mortgage, pledge, lien, charge, restriction or other security interest of any kind upon any of its property or assets of any character, whether owned or held on the date of this Agreement or acquired thereafter, or upon the income or profits therefrom, and which exceed \$300,000.00 in the aggregate of any one year or (b) transfer any such property or assets

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or the income or profits therefrom for the purpose of subjecting the same to payment of indebtedness or performance of any other obligation except payments made in accordance with Section 6.2 of this Agreement or payments made to the Lender in accordance with the terms and provisions of this Agreement, or (c) acquire, or agree to have an option to acquire, any property or assets upon conditional sale or other title retention, device or arrangement, or (d) sell, assign, pledge or otherwise transfer any accounts, contract rights, general intangibles or chattel paper, with or without recourse. Borrower may incur or create, or suffer to be incurred or created or to exist, the following liens without violating the provisions of this Section 6.10:

(a) Statutory liens to secure claims for labor, material or supplies to the extent that payment thereof shall not at the time be required to be made in accordance with Section 6.2 of this Agreement.

(b) Deposits or pledges made in connection with, or to secure payment of, workers' compensation, unemployment insurance, old age pensions or other social security, or in connection with contests, to the extent that payment thereof shall not at that time be required to be made in accordance with Section 6.2 of this Agreement.

(c) Statutory liens for taxes or assessments or governmental charges or levies if payment shall not at the time be required to be made in accordance with Section 6.2 of this Agreement.

(d) Mortgage lien granted to NTS Corp. to secure the indebtedness described in Section 6.14(g).

6.11 Letter of Credit. Without the Lender's prior written consent, Borrower shall not have outstanding any letters of credit upon which Borrower is the obligor or guarantor, except those issued by the Lender.

6.12 Management. Without the prior written consent of the Lender (which consent shall not be unreasonably withheld) and until all Loans shall have been paid, John H. Schnatter and Charles Schnatter shall continue to be employed by and be active in the management of Borrower.

6.13 Mergers, Sales, Transfers and Other Dispositions of Assets. Without the Lender's prior written consent, which shall not be unreasonably withheld, Borrower shall not:

(a) Be a party to any consolidation, reorganization (including without limitation those types referred to in Section 368 of the United States Internal Revenue Code of 1986, as amended), "stock-swap" or merger;

(b) Sell or otherwise transfer any material part of its assets;

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(c) Sell, assign, or otherwise dispose of, with or without recourse, any of its Accounts Receivable or notes receivable or other intangibles, except the endorsement of negotiable instruments of collection in the ordinary course of business; or

(d) Liquidate or dissolve or take any action with a view toward liquidation or dissolution.

6.14 Indebtedness. Borrower shall not incur any Indebtedness whatsoever, or guarantee or become a co-maker or an accommodation maker on any note or other evidence of Indebtedness or contract of any kind, except that borrower may incur the following Indebtedness without violating this Section 6.14:

(a) Indebtedness on account of Current Liabilities which are customary trade payables (and not for money borrowed) incurred in the normal and ordinary course of business.

(b) Indebtedness on account of taxes, assessments, governmental charges and claims for labor, materials or supplies to the extent that payment shall not at the time be required to be made in accordance with Section 6.2 of this agreement

(c) Indebtedness of Borrower on account of endorsement of negotiable instruments for the purpose of collection in the ordinary course of business.

(d) Indebtedness with respect to which a lien is permitted to exist by Section 6.10 of this Agreement.

(e) Indebtedness of Borrower to one or more of its Shareholders, which is subordinated as to principal repayment to the repayment of the loans.

(f) Borrower may guarantee Indebtedness up to an aggregate amount at any one time not in excess of \$3,000,000.00.

(g) Indebtedness to NTS Corp. in the current approximate amount of \$520,000.00, incurred in connection with the purchase of real estate at Blankenbaker Crossings.

6.15 Financial Covenant. Borrower shall, on a consolidated basis, Maintain at all times, such maintenance to be evidenced at the end of each fiscal year of Borrower, calculated by using the immediately preceding twelve month period, a ratio of EBIDT to Funded Debt of not less than 1.0 to 1.0.

6.16 Verification of Financial Information. Lender may at any time, and from time to time, require that any determinations of financial information provided by Borrower to the Lender be verified by the CPA Firm, and Borrower shall have thirty (30) days to comply with any such verification requirement.

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6.17 No Prepayments. Borrower shall not prepay prior to its existing maturities any debts or liabilities, except prepayments made in the ordinary course of business for the principal purpose of obtaining trade payable discounts.

6.18 Accounts. Borrower shall continually maintain its primary corporate checking and deposit accounts with the Lender.

6.19 Environmental Matters. Borrower shall comply with the following:

(a) Environmental Laws and Hazardous Substances. For purposes herein, the term "Environmental Law(s)" shall mean any federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning any Hazardous Substance, as now or at any time hereafter in effect. For purposes herein, the term "Hazardous Substance(s)" shall have the meaning ascribed in any Environmental Law to any hazardous, toxic, or dangerous waste, substance, pollutant or material.

(b) Compliance with Environmental Laws. Borrower certifies that (i) Borrower will not violate, in connection with any real or personal property used, owned, leased maintained or operated by Borrower (the "Property") and the conduct of the business related thereto, any Environmental Law and (ii) Borrower, its agents, employees, lessees and independent contractors will operate the Property and will receive, handle, use, store, treat, transport, and dispose of all Hazardous Substances in strict and timely compliance with all Environmental Laws.

(c) Absence of Hazardous Substances. Borrower certifies, based upon reasonable investigation, that neither Borrower nor any other person within Borrower's knowledge or control, including any lessees of the Property, has ever caused or permitted any Hazardous Substance to be released, spilled or disposed of on, under or at the Property or any part thereof and neither the Property nor any part thereof has ever been used by Borrower or any person as a dump site or storage site, whether permanent or temporary, for any Hazardous Substance. Notwithstanding the foregoing, Borrower may use or store on the property ordinary cleaning and maintenance supplies generally used in the type of business conducted by Borrower.

(d) Right of Indemnity and Mitigation. Lender shall have the right but not the obligation, and without limitation of Lender's rights under any agreement granting a security interest in any property to Lender, to take such actions as it deems necessary or advisable to clean up or otherwise deal with any Hazardous Substance or following receipt of any notice or information which, in the sole opinion of Lender, could result in action against Borrower or Lender or could jeopardize Lender's security interests in its collateral. All reasonable costs and expenses incurred by Lender in the exercise of any such rights shall be secured by the collateral and shall be payable by Borrower upon demand or charged to Borrower's loan balance at the discretion of Lender. Borrower shall indemnify and hold Lender harmless from any and all loss, cost, expense, or liability resulting from Borrower's breach of this Section 6.19.

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6.20 PJ Food Service, Inc. Borrower shall continue to own 100% of all outstanding and issued capital stock of PJ Food Service, Inc., and there shall be no material variation from the present business operations of PJ Food Service, Inc. The present business operations of PJ Food Service, Inc. shall mean, for the purposes of this paragraph, being the sole provider of commissary services for Borrower.

#### Section VII

#### Representations and Warranties

To induce the Lender to enter into this Agreement and to make Loans, Borrower represents and warrants to the Lender as follows (which warranties and representations shall be deemed to be remade and restated in full whenever a Revolving Credit Loan is requested by Borrower):

7.1 Corporate Organization and Existence. Borrower is a corporation duly organized, validity existing, and is in good standing under the laws of the State of Delaware. Borrower has all necessary power and authority to carry on the business conducted by it on the date of this Agreement. Borrower is qualified to do business as a foreign corporation, and is in good standing, in all states and in all foreign countries in which it is required to be so qualified, and is duly authorized, qualified and licensed under all laws, regulations, ordinance or orders of public authorities to carry on its business in the places and in the manner conducted on the date of this Agreement.

7.2 Right to Act. Borrower has full power and authority, corporate and otherwise, to execute, deliver and perform the Borrower Documents.

7.3 No Conflicts. Borrower's execution, delivery and performance of the Borrower Documents does not and will not, (a) violate any existing provision of the certificate of incorporation or bylaws of Borrower, or any law, rule, regulation, or judgment, order or decree applicable to Borrower, or (b) otherwise constitute a default, or result in the imposition of any lien under (1) any existing contract or other obligation binding upon Borrower to its property, with or without the passage of time or the giving of notice or both; (2) any law, rule or regulation applicable to Borrower or its business; or (3) any judgment, order or decree of any court or administrative agency applicable to Borrower or its business.

7.4 Authorization. The execution, delivery and performance by Borrower of the Borrower Documents has been duly authorized, and the Borrower Documents have been duly executed and delivered and constitute legal, valid and binding obligations enforceable in accordance with its terms.

7.5 Litigation and Taxes.

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(a) There is no material litigation, at law or in equity, or any proceeding before any federal, state or municipal court, board or other governmental or administrative agency pending, or to the knowledge of Borrower, threatened which might involve any material judgment or liability against Borrower or any of the Subsidiaries or which might otherwise materially affect Borrower's business, assets or condition, financial or otherwise. No judgment, decree or order of any federal, state or municipal court, board or other

governmental or administrative agency has been issued against Borrower or any of its assets which has, or might have, a material adverse effect on Borrower's business, assets or condition. financial or otherwise.

(b) Borrower has filed all tax returns which are required to be filed and has paid, or made adequate provision for the payment of, all taxes which have or may become due pursuant to such returns or pursuant to assessments for which adequate reserves have not been established, and Borrower has made adequate provision for all current taxes.

7.6 Financial Statements. The Borrower's most-recent quarterly financial statements as filed with the Form 10-Q for the quarter ended June 30, 1996 have been furnished to the Lender. Those financial statements are true and complete, have been prepared in accordance with generally accepted accounting principals, omit no material contingent liabilities of any kind, and fairly present the financial condition of the Borrower as of the date of the financial statements.

7.7 Compliance with Contractual Obligations, Laws and Judgments.

(a) Borrower is not in default in the payment, performance, observance or fulfillment of any of the material obligations, covenants or conditions contained in any lease, indenture, mortgage, deed of trust, promissory note, agreement or undertaking to which it is a party or by which its assets are bound.

(b) To the knowledge of the officers and directors of Borrower, (i) Borrower has not violated any applicable statute, regulation or ordinance of the United States of America or of any state, municipality or any other subdivision, jurisdiction or agency thereof, in any respect materially and adversely affecting Borrower's business, property, assets, operations or conditions, financial or otherwise, and (ii) Borrower has applied for and/or acquired all material licenses, approvals, certificates, permits or authorizations of any regulatory body required in order to permit it to carry on its business as currently conducted, all of which are in full force and effect.

(c) Borrower is not in default with respect to any judgment, order, writ, injunction, decree or demand of any court, arbitrator or governmental agency or body.

7.8 Employment and Labor Agreement. There are no collective bargaining agreements or other labor agreements covering any employees of Borrower.

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7.9 No Undisclosed Liabilities or Guaranties. Borrower has no liabilities, direct or contingent, except as disclosed or referred to in the financial statements referred to in Section 7.6 of this Agreement, nor has Borrower guaranteed, or otherwise become responsible for, the material obligations of any person, firm or corporation, except for guaranties of indebtedness of Papa John's International, Inc. to the Lender.

7.10 Title to Properties. Borrower has good and marketable title to all of its property and assets of all character, (except leased property) free and clear of all mortgages, liens and encumbrances, except minor irregularities in title which do not materially interfere with the use and enjoyment by Borrower of such properties and assets in the normal course of business as presently conducted, or materially impair the value thereof for such business, except the corporate headquarters of Borrower may be financed by the issuance of industrial revenue bonds, which bonds may be secured by a mortgage on the real estate which contains the corporate headquarters.

7.11 Trademarks and Permits. Borrower possesses adequate licenses, patents, copyrights, trademarks and trade names to conduct its business as now conducted. Neither Borrower nor any of its officers, directors or employees has any reason to know of any claim that Borrower has violated any other person's license, patent, copyright, trademark or trade name, or that Borrower's licenses, patents, copyrights, trademarks or trade names are currently being infringed. Borrower has all governmental permits, certificates, consents and franchises necessary to carry on its businesses as now owned, leased or operated. All such governmental permits, certificates, consents and franchises are valid, and in effect, and Borrower is not in violation thereof, and none of them contains any term, provision, condition or limitation more burdensome than generally applicable to persons engaged in the same or similar business.

7.12 Disclosure. Neither this Agreement, nor any agreement, document, certificate or statement furnished to the Lender by or on behalf of Borrower in connection with the transactions contemplated by this Agreement contain any untrue statement of any material fact or omits to state any material fact necessary to make the statements contained herein or therein not misleading. There is no fact known to Borrower which materially and adversely affects Borrower's business, operations, affairs or condition, financial or otherwise, which has not been disclosed to the Lender.

7.13 ERISA. Each employee benefit plan, as defined in Section 3(3) of ERISA, maintained by Borrower complies with all applicable requirements of ERISA and the Internal Revenue Code of 1986, as amended (the "Code"), and with all applicable rulings and regulations issued under the provisions of ERISA and the Code. No Reportable Event within the meaning of Section 4043 of ERISA has occurred and is outstanding with regard to any employee benefit plan of Borrower.

SECTION VIII  
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Events of Default  
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Each of the following shall constitute an Event of Default under this Agreement (an "Event of Default"):

8.1 Failure to Pay. If Borrower shall fail to pay in full when due any installment of principal or interest on the Revolving Credit Note, or any Replacement Note, or payments required by Section III of this Agreement, and such failure shall not have been fully corrected within five (5) days after the Lender has given written notice thereof to Borrower.

8.2 No Notice Required. If the obligor with respect to the following provisions shall fail to observe, perform or comply with any term, obligation, covenant, agreement, condition or other provision contained in Sections 6.1, 6.7, 6.10, 6.11, 6.12, 6.13, 6.14, 6.17, 6.18, 6.19, 8.1, 8.4, 8.7, 8.8, 8.9, 8.11 or 11.1 of this Agreement, or any Event of Default occurs under the Security Instruments.

8.3 Notice Required. If the obligor with respect to any term, obligation, covenant, agreement, condition or other provision (other than those referred to in Sections 8.1 or 8.2 hereof) contained or referred to in this Agreement shall fail to observe, perform or comply with those provisions, and such failure shall not have been fully corrected within thirty (30) days after the Lender has given written notice thereof to Borrower.

8.4 Falsity of Representation or Warranty. If any representation or warranty or other statement of fact contained herein or in any of the Security Instruments or in any writing, certificate, report or statement at any time furnished the Lender by or on behalf of Borrower pursuant to or in connection with this Agreement or the Loans shall be false or misleading in any material respect or which shall omit a material fact, whether or not made with knowledge.

8.5 Judgments. If a final judgment or judgments for the payment of money in excess of the sum of One Hundred Thousand Dollars (\$100,000.00) in the aggregate, or with respect to property with a value in excess of such amount, shall be rendered against Borrower or any of the Subsidiaries and such judgment or judgments shall remain unsatisfied for a period of thirty (30) consecutive days after the entry thereof and within such thirty (30) days has not been (a) stayed pending appeal, or (b) discharged.

8.6 Obligations of PJ Food Service, Inc. to the Lender. If PJ Food Service, Inc. or PJFS of Mississippi, Inc. (the "Related Borrowers") shall default, or if there shall occur any Event of Default, under any of the terms, obligations, covenants, agreements, conditions or other provisions of any agreement, document or instrument executed previously or in the future by the Related Borrowers in favor of Lender, PNC Leasing Corp., Kentucky, or any other lending institution affiliated with Lender.

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8.7 Obligations to the Lender. If Borrower shall default under any of the terms, obligations, covenants, agreements, conditions or other provisions of any agreement, document or instrument executed by Borrower, including but not limited to this Agreement, the Borrower Documents and the related documents which Borrower has entered into with the Lender.

8.8 Dissolution or Termination of Existence. If Borrower or any person, firm or corporation affiliated with it takes any action that is intended to result in the termination, dissolution or liquidation of Borrower.

8.9 Solvency.

(a) If Borrower shall (1) be adjudicated bankrupt; (2) admit in writing its inability to pay its debts generally as they become due; (3) become insolvent in that its total assets are in the aggregate worth less than all of its liabilities or it is unable to pay its debts generally as they become due; (4) make a general assignment for the benefit of creditors; (5) file a petition, or admits (by answer, default or otherwise) the material allegations of any petition filed against it in bankruptcy under the federal bankruptcy laws (as in effect on the date of this Agreement or as they may be amended from time to time), or under any other law for the relief of debtors, or for the discharge,

arrangement or compromise of its debts; or (6) consent to the appointment of a receiver, conservator, trustee or liquidator of all or part if its assets.

(b) If a petition shall have been filed against Borrower in proceedings under the federal bankruptcy laws (as in effect on the date of this Agreement, or as they may be amended from time to time), or under any other laws for the relief of debtors, or for the discharge, arrangement or compromise of its debts, or an order shall be entered by any court of competent jurisdiction appointing a receiver, conservator, trustee, or liquidator of all or part of Borrower's assets, and such petition or order is not dismissed or stayed within thirty (30) consecutive days after entry thereof.

8.10 ERISA. The termination of any defined benefit plan described in Section 414(j) or Section 414(k) of the Code maintained by Borrower, where the then-present value of such Plan's vested benefits that may be guaranteeable under Title IV of ERISA exceeds the then-current value of the plan assets applicable to such benefits or accumulated in such Plan.

8.11 Criminal Charges Risking Forfeiture of Collateral. If Borrower or any officer, director, agent or employee thereof is charged, indicted, or convicted of any criminal offense by the federal or any state government which, in the sole exercise of the Lender's discretion, shall place any of the Collateral at risk of forfeiture to the federal or any state government under any applicable federal or state statute or regulation.

8.12 Other Obligations. If Borrower defaults under any agreements binding Borrower in excess of \$100,000.00 in the aggregate to any persons, or fails to pay any other material obligations after the due date or performance date thereof, and such failure or default has a

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material effect on Borrower's business and operations, unless such default or obligation is being contested in good faith in legal proceedings timely instituted and for which Borrower has set aside reserves adequate to the satisfaction of the Lender on Borrower's books, or provided security satisfactory to the Lender assuring the discharge of Borrower's obligations with respect thereto.

#### SECTION IX

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#### Remedies Upon Default

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Notwithstanding anything to the contrary, if any Event of Default under this Agreement occurs, the Lender, in its sole discretion, and without notice to Borrower, may (a) terminate the Revolving Credit, and the Lender shall be under no further obligation to grant any Revolving Credit Loans, and/or (b) declare the entire unpaid balance of the Revolving Credit Note, and/or any Replacement Note and all other obligations of Borrower under this Agreement to be immediately due and payable in full, without any presentment, demand or notice of any kind, all of which are hereby waived by Borrower. In addition, upon the occurrence of any Event of Default, and at any time thereafter, unless all Events of Default have been remedied to the full satisfaction of the Lender, the Lender shall have all of the following rights and remedies and it may exercise one or more of them singly or in conjunction with others.

9.1 Right to Set-Off. The Lender shall have the right (a) in the event of an Unmatured Default, to freeze the Borrower's account(s) maintained with the Lender until such time as Borrower specifies to the Lender's reasonable satisfaction what action Borrower has taken or will take to pre-empt any such Unmatured Default, and (b) upon an Event of Default, to set off against, or appropriate and apply toward the payment of, the obligations of Borrower to the Lender, pursuant to this Agreement or as evidenced by the Note, or any Replacement Note, whether or not such obligations shall have then matured, any and all deposit balances and other sums and indebtedness then held or owed by the Lender to or for the credit or account of Borrower. Borrower hereby pledges to and grants a security interest in such deposit balances, other sums and indebtedness of the Lender to secure all of Borrower's obligations under this Agreement, the Note, and any Replacement Note. Such set-offs may occur without notice to or demand upon Borrower or any other person, all of such notices and demands being hereby waived.

9.2 Enforcement of Rights. The Lender shall have the right to proceed to protect and enforce its rights by suit in equity, action at law and/or other appropriate proceedings either for specific performance of any covenant or condition contained in this Agreement or in the other Borrower Documents, or in aid of the exercise of any power granted in this Agreement, or any Borrower Document.

9.3 Cumulative Remedies. All of the rights and remedies of the Lender upon occurrence of an Event of Default shall be cumulative to the greatest extent permitted by law, may

be exercised successively or concurrently, from time to time, and shall be in addition to all of those rights and remedies afforded the Lender at law, or in equity, or in bankruptcy. Notwithstanding the foregoing, the Lender shall be entitled to recover from the cumulative exercise of all remedies an amount no greater than the sum of (a) the outstanding principal amount of all Loans, (b) all accrued but unpaid interest with respect to the principal amount of Loans, (c) any other amounts that Borrower is required by this Agreement to pay to the Lender (for example, and without limitation, the reimbursement of expenses and legal fees, and late charges), and (d) any reasonable costs, expenses or damages which the Lender is otherwise permitted to recover by the terms of this Agreement. Any exercise of any right or remedy shall not be deemed to be an election of that right or remedy to the exclusion of any other right or remedy.

#### SECTION X

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##### Fees and Expenses

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Borrower shall pay to the Lender upon demand all out-of-pocket expenses incurred by the Lender in connection with the recording or filing or any documents or instruments in any public office, pursuant to or as a consequence of this Agreement, or to perfect or protect any security for the Loans. Further, if any Event of Default shall occur under this Agreement, or any default shall occur under the Revolving Credit Note, or any related documents, Borrower shall pay to the Lender, to the extent allowable by applicable law, such amounts as shall be sufficient to reimburse the Lender fully for all of its reasonable costs and expenses incurred in enforcing its rights and remedies under this Agreement and the Security Instruments and any related documents, including without limitation the Lender's reasonable attorney's fees and court costs.

#### SECTION XI

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##### Miscellaneous Provisions

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11.1 No Assignments. Borrower may not assign its rights under this Agreement to any other party. Any attempted assignment shall be a default under this Agreement and shall be null and void.

11.2 Late Charges. All payments on the Notes shall be paid to the Lender or to such other person or at such other places as the Lender may designate in writing. In the event any payment of principal or interest, or both, is not paid within ten (10) days of the due date provided for herein, a late charge of the greater of \$25.00 or one (1%) percent of any such payments so overdue shall be charged by the Lender. The charging or collection of any such late charge shall not be deemed a waiver of any of the Lender's rights arising thereby or hereunder, including the right to declare a default.

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11.3 Term of Loan Agreement. The term of this Agreement shall commence as of the date hereof, and continue until all Loans and accrued but unpaid interest thereon shall have been paid in full and cancelled by the Lender, and Borrower shall have paid or performed all of its other obligations hereunder.

11.4 No Waivers. Failure or delay by the Lender in exercising any rights shall not be deemed to be or operate as a waiver of that right, nor shall any right be exclusive of any other right referred to in this Agreement, or in any other related document, or available at law or in equity, by statute or otherwise. Any single or partial exercise of any right shall not preclude the further exercise of that right. Every right of the Lender shall continue in full force and effect until such right is specifically waived in a writing signed by the Lender.

11.5 Course of Dealing. No course of dealing between Borrower and the Lender shall operate as a waiver of any of the Lender's rights under this Agreement, under the Security Instruments or under any of the other Borrower Documents.

11.6 Waivers by Borrower. Borrower hereby waives, to the extent permitted by applicable law, (a) all presentments, demands for performances, notices of nonperformance (except to the extent specifically required by this Agreement), protests, notice of protest and notices of dishonor in connection with the Revolving Credit Note, or any Replacement Note, (b) any requirement of diligence or promptness on the part of the Lender in enforcement of its rights under the provisions of this Agreement, any of the Security Instruments or any of the other Borrower Documents, and (c) any requirement of marshalling assets or proceeding against persons or assets in any particular order.



11.7 Severability. If any part, term or provision of this Agreement is held by any court to be unenforceable or prohibited by any law applicable to this Agreement, the rights and obligations of the parties shall be construed and enforced with that part, term or provision limited so as to make it enforceable to the greatest extent allowed by law, or, if it is totally unenforceable, as if this Agreement did not contain that particular part, term or provision.

11.8 Time of the Essence. Time shall be of the essence in the performance of all of Borrower's obligations under this Agreement, and the other instruments related thereto.

11.9 Benefit and Binding Effect. This Agreement shall inure to the benefit of the Lender, its successors and assigns, and all obligations of Borrower shall bind its successors and, if and to the extent assignment is otherwise permitted by this Agreement, its assigns.

11.10 Further Assurances. Borrower shall sign such financing statements or other documents or instruments as the Lender may request from time to time to more fully create, perfect, continue, maintain or terminate the rights and security interests intended to be granted or created pursuant to this Agreement or the Security Instruments.

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11.11 Incorporation by Reference. All schedules, annexes or other attachments to this Agreement are incorporated into this Agreement as if set out in full at the first place in this Agreement that reference is made thereto.

11.12 Entire Agreement; No Oral Modifications. This Agreement, the schedules and annexes hereto, and the documents and instruments referred to herein constitute the entire agreement of the parties with respect to the subject matter hereof, and supersede all prior understandings with respect to the subject matter hereof. No change, modification, addition or termination of this Agreement shall be enforceable unless in writing and signed by the party against whom enforcement is sought.

11.13 Headings. The headings used in this Agreement are included for ease of reference only and shall not be considered in the interpretation or construction of this Agreement.

11.14 Governing Law. This Agreement and the related documents and instruments shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky, except to the extent that the laws of any other state where collateral for the Notes is located requires that the laws of such other state shall govern the creation, perfection or enforcement of the Lender's rights and security interests in such collateral. The parties agree that Jefferson County, Kentucky shall be the proper venue for any litigation or judicial matters arising out of this Agreement on the transactions contemplated hereby.

11.15 Multiple Counterparts.

(a) This Agreement may be signed by each party upon a separate copy, and in such case one counterpart of this Agreement shall consist of enough of such copies to reflect the signature of each party.

(b) This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement or the terms thereof to produce or account for more than one of such counterparts.

11.16 Notices.

(a) Any requirement of the Uniform Commercial Code or other applicable law of reasonable notice shall be met if such notice is given at least five (5) business days before the time of sale, disposition or other event or thing giving rise to the requirement of notice.

(b) All notices or communications under this Agreement, including any demand for payment under Section IX of this Agreement, shall be in writing and shall be mailed to the parties addresses as follows, or hand-delivered, and any notice so addressed and mailed by registered or certified mail, return receipt requested, shall be deemed to have been given when mailed:

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(i) If to Borrower:

Papa John's International, Inc.  
P. O. Box 99900  
Louisville, Kentucky 40269-9990  
Attention: Charles W. Schnatter

With a copy to:

W. Plumer Wiseman  
Greenebaum, Doll & McDonald  
3300 First National Tower  
Louisville, Kentucky 40202

(ii) If to the Lender:

PNC Bank, Kentucky, Inc.  
Citizens Plaza  
Louisville, Kentucky 40296  
Attention: Edward B. Martin

With a copy to:

Michael V. Brodarick  
Lloyd & McDaniel, PLC  
462 South Fourth Avenue, Suite 1700  
Louisville, Kentucky 40202

(c) Borrower and the Lender may at any time, and from time to time, change the address or addresses to which notice shall be mailed by written notice setting forth the changed address ar addresses.

11.17 Survival of Covenants. All covenants, agreements, warranties and presentations made by Borrower herein shall survive the making of each Revolving Credit Loan, and the execution and delivery of this Agreement, the Note and any and all Borrower Documents and shall be deemed to be remade and restated by all of them each time Borrower requests a Revolving Credit Loan.

11.18 Confidentiality. Unless agreed to in writing by Borrower, the Lender agrees it will not disclose to any Person (other than employees or agents of Lender) any proprietary information relating to Borrower's business which Lender acquires from Borrower.

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11.19 Consent of Lender. Whenever a provision of this Agreement calls for the consent of Lender, Lender agrees it will not unreasonably withhold such consent.

11.20 Jury Trial Waiver. The Borrower and the Lender irrevocably waive any and all rights they may have to a trial by jury in any action, proceeding or claim of any nature arising out of this Agreement, the Revolving Credit, the Borrower Documents, or any of the transactions contemplated thereby, and acknowledge that the foregoing waiver is knowing and voluntary.

IN WITNESS WHEREOF, Borrower and the Lender have signed this Agreement as of the date set forth in the preamble hereto, but actually on the dates set forth below.

PNC BANK, KENTUCKY, INC.

By: \_\_\_\_\_  
EDWARD B. MARTIN  
Vice President

Date: \_\_\_\_\_  
PAPA JOHN'S INTERNATIONAL, INC.

By: \_\_\_\_\_  
Date: \_\_\_\_\_

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REVOLVING CREDIT NOTE  
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\$10,000,000.00

June 30, 1996  
Louisville, Kentucky

For value received, Papa John's International, Inc. ("Maker" or "Borrower") promises to pay to the order of PNC Bank, Kentucky, Inc. ("Lender" or "Bank"), at Citizens Plaza, Louisville, Kentucky 40296, the principal sum of Ten Million Dollars (\$10,000,000.00) or the aggregate unpaid balance of advances made by the Lender pursuant to the Loan Agreement referred to below, whichever is less, together with interest on the principal of this note from time to time

outstanding at an annual rate equal to one of the following interest rates, at the option of the Maker:

1. Prime Rate Minus 100 Basis Points. An annual rate equal to the Prime Rate, minus 100 basis points [one percentage point (1.0%)], until the entire principal balance of this note has been paid in full. As used in this note, "Prime Rate" shall mean the interest rate per annum most recently designated and announced publicly from time to time by Lender as its Prime Rate in effect at its principal office and does not necessarily represent the lowest rate of interest offered by Lender to any customer. Each change in the Prime Rate shall become effective without notice to the Borrower on the day of any change in the Prime Rate. As of the date of this note the Prime Rate is 8.25%, and the initial annual interest rate for this note is 7.25%. All interest on this note shall be computed on the basis of the actual number of days elapsed over an assumed year of three hundred sixty days.

OR  
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2. Offered Rate. A rate per annum, determined in the Bank's sole discretion, as offered from time to time by the Lender to the Borrower as the rate at which the Lender would advance funds to the Borrower in the principal amount requested for the interest period requested. Interest shall be computed on the basis of the actual number of days elapsed over an assumed year of 360 days.

OR  
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3. LIBOR Plus 50 Basis Points. The unpaid principal of each LIBOR Loan shall bear interest at a rate per annum which shall be equal to the London Interbank Offered Rate, plus 50 basis points [fifty hundredths of one percent (.50%)]. Interest shall be calculated on the basis of actual days elapsed over an assumed year of 360 days.

A. Definitions. If the Maker elects an interest rate tied to LIBOR, then the following definitions shall apply:

"LIBOR" or "London Interbank Offered Rate" shall mean, for each LIBOR Interest Period, the rate per annum offered to the Lender (at approximately 11:00 a.m. London time, on

the date two Banking Days in London prior to the first day of such LIBOR Interest Period) by prime banks in the London Interbank Market for deposits of dollars for a period equal to the length of such LIBOR Interest Period and in an amount comparable to the aggregate unpaid principal amount of the LIBOR Loans which have been made (or will be made) by Bank to Borrower hereunder and are scheduled to be outstanding during such LIBOR Interest Period.

"LIBOR Loan" shall mean all loans hereunder for which the Maker has selected an interest rate tied to LIBOR.

"LIBOR Interest Period" shall mean, with respect to a LIBOR Loan, a period commencing:

- (i) on the borrowing date of such LIBOR Loan or pursuant to a change in the LIBOR Interest Period; or
- (ii) on the last day of the immediately preceding LIBOR Interest Period in the case of a rollover to a successive LIBOR Interest Period and ending one, two, three or six months thereafter as Borrower shall elect.

Borrower shall have the option of specifying whether a LIBOR Interest Period commencing on any such date shall be a 30 day, 60 day, 90 day or 180 day period subject to the following provisions:

- (i) The initial LIBOR Interest Period for any LIBOR Loan shall commence on the date of such LIBOR Loan and each LIBOR Interest Period occurring thereafter for such LIBOR Loan shall commence on the day on which the next preceding LIBOR Interest Period for such LIBOR Loan expires.
- (ii) All LIBOR Interest Periods commencing on the same day shall be of the same duration and each LIBOR Interest Period for any LIBOR Loan made while any other LIBOR Loans are outstanding shall expire on the last day of the then current LIBOR Interest Period for such outstanding LIBOR Loans.
- (iii) If any LIBOR Interest Period would otherwise expire on a day which is not a Business Day, such LIBOR Interest Period shall expire on the next succeeding Business Day; provided, however, that if any such LIBOR Interest Period would otherwise expire on a day which is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such

LIBOR Interest Period shall expire on the next preceding Business Day.

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- (iv) No LIBOR Interest Period shall extend beyond the final maturity date of the LIBOR Loans.

"Consequential Loss" shall, with respect to Borrower's payment of principal of a LIBOR Loan on a day other than the last day of the LIBOR Interest Period related to such LIBOR Loan, mean any loss or expense incurred by the Bank in redepositing such principal amount including the sum of (i) the interest which, but for such payment, the Bank would have earned, in respect of such LIBOR Loan so paid, for the remainder of the LIBOR Interest Period applicable to such LIBOR Loan, reduced, if the Bank is able to redeposit such principal amount as paid for the balance of such LIBOR Interest Period, by the interest earned by the Bank as a result of so redepositing such principal amount, plus (ii) any expense or penalty incurred by the Bank on redepositing such principal amount.

B. Prepayment Provision. If Borrower makes any payment of principal with respect to any LIBOR Loan on any day other than the last day of a LIBOR Interest Period applicable to such LIBOR Loan, Borrower shall reimburse Bank on demand the Consequential Loss incurred by it as a result of the timing of such payment. A certificate of Bank setting forth the basis for the determination of the amount of a Consequential Loss shall be delivered to Borrower and shall, in the absence of manifest error, be conclusive and binding as to such determination and amount. Any conversion of a LIBOR Loan to a different LIBOR Interest Option on any day other than the last day of the LIBOR Interest Period of such LIBOR Loan shall be deemed a payment subject to the provisions of this section.

Commencing August 1, 1996, and on the first day of each calendar month thereafter until the entire principal balance of, and all accrued interest on, this note has been paid, the Borrower shall pay to the Lender all accrued but unpaid interest on the outstanding principal balance of this note. The entire outstanding principal balance of, and all accrued but unpaid interest on, this note shall be due and payable on June 29, 1997.

All payments on this note shall be paid to the Lender or to such other person or at such other places as the Lender may designate in writing. In the event any payment of principal or interest, or both, is not paid within ten (10) days of the due date provided for herein, a late charge of the greater of \$25.00 or three percent (3%) of any such payments so overdue shall be charged by the Lender. The charging or collection of any such late charge shall not be deemed a waiver of any of the Lender's rights arising thereby or hereunder, including the right to declare default.

This note is the Revolving Credit Note referred to and governed by the terms of a Third Amended and Restated Loan Agreement dated as of June 30, 1996 (the "Loan Agreement").

The occurrence of an Event of Default (as defined in the Loan Agreement) shall be a default under this note. Upon any default under this note and after the expiration of any applicable cure period, the holder of this note may, at its option, and without notice, declare the entire unpaid balance of, and all accrued interest on, this note to be immediately due and payable.

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Revolving Credit Loans (as defined in the Loan Agreement) may be made from time to time by the Lender to the Maker in the manner and subject to the terms and conditions set forth in the Loan Agreement. Upon granting each Revolving Credit Loan, the Lender shall record the making and amounts of all such disbursements and payments through its automated data processing equipment, and the aggregate amounts of all Loans made by the Lender and shown on the Lender's computer records, less the amount of payment of principal made by Borrower and recorded on the Lender's computer records, shall be the principal amount outstanding under the Loans, and shall be prima facie evidence of the unpaid amount of principal outstanding under this note.

Failure of the holder of this note to exercise any of its rights and remedies shall not constitute a waiver of any provision of this note or of the Loan Agreement, or the other Borrower Documents (as defined in the Loan Agreement) or of any such holder's rights and remedies, nor shall it prevent the holder from exercising any rights or remedies with respect to the subsequent happening of the same or similar occurrences. All remedies of the holder hereof shall be cumulative to the greatest extent permitted by law. Time shall be of the essence for payment of all payments of interest and principal on this note.

If there is any default under this note, and this note is placed in the hands of an attorney for collection, or is collected through any court, including any bankruptcy court, Maker promises to pay to the order of the holder hereof such holder's attorney's fees and court costs incurred in collecting or attempting to collect or securing or attempting to secure this note or enforcing the holder's rights with respect to any collateral securing this note, to the

extent allowed by the laws of the Commonwealth of Kentucky or any state in which the collateral for this note is situated.

This note has been delivered in, and shall be governed by and construed in accordance with the laws (including, without limitation, the conflicts of laws rules) of the Commonwealth of Kentucky.

All parties to this instrument, whether makers, sureties, guarantors, endorsers, accommodation parties or otherwise, shall be jointly and severally bound, and jointly and severally waive presentment, demand, notice of dishonor, protest, notice of protest, notice of nonpayment or nonacceptance and any other notice and all due diligence or promptness that may otherwise be required by law, and all exemptions to which they may now or hereafter be entitled under the laws of the Commonwealth of Kentucky or of the United States of America or any state thereof. The holder of this instrument may, with or without notice to any party, and without affecting the obligations of any maker, surety, guarantor, endorser, accommodation party or any other party to this note (1) extend the time for payment of either principal or interest from time to time, (2) release or discharge any one or more parties liable on this note, (3) suspend the right to enforce this note with respect to any persons, (4) change, exchange or release any property in which the holder has any interest securing this note with respect to any persons, (5) justifiably or otherwise, impair any collateral securing this note or suspend the right to enforce against any such collateral, and (6) at any time it deems it necessary or proper, call for and should it be made

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available, accept, as additional security, the signature or signatures of additional parties or a security interest in property of any kind or description or both.

PAPA JOHN'S INTERNATIONAL, INC.

BY:

\_\_\_\_\_

TITLE:

\_\_\_\_\_

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

ARTICLE 1. PURPOSE

The purpose of this 1993 Stock Ownership Incentive Plan is to advance the interests of Papa John's International, Inc. and its subsidiaries, by encouraging employees who will largely be responsible for the long-term success and development of the Company to acquire and retain an ownership interest in the Company. The Plan is also intended to provide flexibility to the Company in attracting and retaining such employees and stimulating their efforts on behalf 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 April 15, 1993, the date the Plan was adopted by the Board.

(k) "Employee" shall mean an individual who is a full-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.

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(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 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. 1993 Stock Ownership Incentive 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.

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(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.

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 who are "disinterested persons" within the meaning of Rule 16b-3 (or any successor provision) promulgated under the Exchange Act. 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, types and frequency of Awards granted under the Plan;
  - (c) determine the terms and conditions of Awards, including any restrictions or conditions to the Award, which need not be identical;
  - (d) cancel or modify, with the consent of the Participant, outstanding Awards and to grant new Awards in substitution therefor;
  - (e) accelerate the exercisability of, and accelerate or waive any or all the restrictions and conditions applicable to, any Award, for any reason;
  - (f) extend the duration of an Option exercise period or term of an Award;
  - (g) construe and interpret the Plan and any agreement or instrument entered into under the Plan;
  - (h) establish, amend and rescind rules and regulations for the Plan's administration; and
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- (i) 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 as identified hereunder.

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 , the number of shares of Common Stock reserved for issuance under the Plan is 3,487,500. 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.

4.2 Shares of Restricted Stock Available Under the Plan. Subject to adjustment as provided in Section , the number of shares of Common Stock which may be the subject of Awards granted in the form of Restricted Stock is limited to 225,000 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



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/or 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.

#### ARTICLE 5. ELIGIBILITY AND PARTICIPATION

All Employees of the Company and its Subsidiaries are eligible to receive Awards under the Plan. In selecting Employees 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 of the Employees, their present and potential contribution to the success of the Company and their anticipated number of years of active service 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.

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 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 such provisions applicable to the particular type of Option granted.

6.3 Duration of Options. Subject to the provisions of Section , 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 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 employment of a Participant is terminated for Cause, all then outstanding Options of such Participant, whether or not exercisable, shall terminate immediately. If the employment of a Participant is terminated for any reason other than for Cause, death, Disability or Retirement, to the extent then outstanding Options of such Participant are exercisable, 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 90 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, 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 6.7 (e) 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 (f) 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

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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, 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, or upon earlier 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 6 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 shall be forfeitable, which may include, without limitation, the termination of a Participant's employment during the Restriction Period. Any such forfeited shares of Restricted Stock shall be immediately returned to the Company by the Participant and the Participant shall only receive the amount, if any, paid by the Participant for such Restricted Stock.

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. 1993 Stock Ownership Incentive Plan, and in the related Restricted Stock Agreement. A copy of the Plan and

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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, 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, 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 employment of a Participant 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 employment of a Participant 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

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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 employment 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 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 Participant upon achievement of specified Performance Goals.

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.

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.

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

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deems appropriate in order to make them appropriate and comparable to the initial Performance Goals or Performance Period.

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 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

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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 Amendment, Modification and Termination. The Board may, at any time, amend, modify or terminate the Plan. However, without the approval of stockholders of the Company (as may be required by the Code, Section 16 of the

Exchange Act and the rules promulgated thereunder, any national securities exchange or system on which the Common Stock is then listed or reported or a regulatory body having jurisdiction with respect hereto), no such amendment, modification or termination may:

(a) materially increase the benefits accruing to Participants under the Plan;

(b) materially increase the total number of shares of Common Stock which may be issued under the Plan, except as provided in Section ; or

(c) materially modify the class of Employees eligible to participate in the Plan.

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.

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 . 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

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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 Employee 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 by the Company. The Company expressly reserves the right to terminate, whether by dismissal, discharge or otherwise, a Participant's employment at any time, with or without Cause, except as may otherwise be expressly provided by any written agreement of employment 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.

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#### 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 and/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 1993 Stock Ownership Incentive Plan to be executed by its Board of Directors this 15th day of April, 1993.

PAPA JOHN'S INTERNATIONAL, INC.

By: /s/ John H. Schnatter

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John H. Schnatter  
Chairman of the Board

Changes to Plan Document:

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The number of shares reserved for issuance under the Plan has been adjusted to reflect (i) a 3-for-2 stock split, effected in the form of a 50% stock dividend, effective March 25, 1996 for holders of record on March 12, 1996, and (ii) a 3-for-2 stock split, effected in the form of a 50% stock dividend, effective November 22, 1996 for holders of record on November 8, 1996.

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Revised to reflect amendments approved by the Board of Directors on February 14, 1996 and stockholders on May 22, 1996.

Revised to reflect amendments approved by the Board of Directors October 29, 1996.

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PAPA JOHN'S INTERNATIONAL, INC.  
1993 STOCK OPTION PLAN  
FOR NON-EMPLOYEE DIRECTORS  
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1. PURPOSE OF PLAN. The purpose of this 1993 Stock Option Plan for Non-Employee Directors is to promote the interests of Papa John's International, Inc., its subsidiaries and stockholders, by encouraging non-employee directors of the Company to acquire an ownership interest in the Company. Such investments should increase the personal interest and the special effort of such persons in working for the continued success and progress of the business of the Company and should enhance the Company's efforts to attract and retain competent non-employee directors.

2. DEFINITIONS. The following terms when used herein shall have the meanings set forth below, unless a different meaning is plainly required by the context (such terms shall apply equally to both the singular and plural forms of the terms defined):

(a) BOARD. The Board of Directors of the Company.

(b) CHANGE IN CONTROL. A Change in Control shall occur upon (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 of Directors 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 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.

(c) CODE. The Internal Revenue Code of 1986, as amended from time to time, or any successor thereto.

(d) COMMITTEE. The Committee provided for in Section 6.

(e) COMMON STOCK. Shares of the Company's common stock, par value \$.01 per share.

(f) COMPANY. Papa John's International, Inc., a Delaware corporation.

(g) DISABILITY. Permanent and total disability within the meaning of section 22(e)(3) of the Code.

(h) EXCHANGE ACT. The Securities Exchange Act of 1934, as amended.

(i) FAIR MARKET VALUE. The fair market value of a share of Common Stock, as of any applicable date. In the case of Options granted at the Initial Public Offering Date, the Fair Market Value shall be equal to the price of the Common Stock as offered for sale to the public on such date. Subsequent to the Initial Public Offering Date, if the Common Stock is listed on the NASDAQ National Market System or a national or regional stock exchange, the Fair Market Value shall be the closing sale price of the Common Stock on any applicable date. If there are no common stock transactions reported for such date, the determination shall be made as of the last immediately preceding date on which common stock transactions were reported. 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 the Common Stock as of a particular date shall be determined by such method as shall be determined by the Committee.

(j) INITIAL PUBLIC OFFERING DATE. The date on which the Registration Statement on Form S-1 to be filed by the Company with the Securities Exchange Commission relating to the initial offer and sale by the Company of shares of Common Stock to the public is declared effective.

(k) NON-EMPLOYEE DIRECTOR. A member of the Board who is not an employee of the Company or any of its subsidiaries.

(l) OPTION. An option granted to an Optionee pursuant to the Plan.

(m) OPTION AGREEMENT. A written agreement between the Company and an Optionee evidencing the grant of an Option and containing terms and conditions concerning the exercise of the Option.

(n) OPTION PRICE. The price to be paid for shares to be purchased pursuant to the exercise of an Option.

(o) OPTIONEE. A Non-Employee Director who has been granted an Option or the personal representative, heir or legatee of an Optionee who has the right to exercise the Option upon the death of the Optionee.

(p) PERSON. A person as that term is defined 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).

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(q) PLAN. This 1993 Stock Option Plan for Non-Employee Directors, as the same may be amended from time to time.

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 , the aggregate number of shares of Common Stock to be delivered upon exercise of all Options granted under the Plan shall not exceed 270,000 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.

#### 4. GRANTING OF OPTIONS.

(a) INITIAL GRANTS. Each Non-Employee Director on the Initial Public Offering Date who is not then the owner of options granted by the Company to purchase shares of Common Stock shall be granted on such date an Option to purchase 40,500 shares of Common Stock.

(b) NEW NON-EMPLOYEE DIRECTORS GRANTS. Each new Non-Employee Director who is elected subsequent to the Initial Public Offering Date who is not then the owner of options granted by the Company to purchase shares of Common Stock shall automatically be granted an Option to purchase 40,500 shares of Common Stock upon the initial date of election to the Board, provided that the number of shares of Common Stock available for grant under the Plan is sufficient to permit such automatic grant.

(c) ADDITIONAL OPTION GRANTS. On the third anniversary of the date of the grant of an Option to a Non-Employee Director pursuant to the terms of the Plan, and, in the case of a Non-Employee Director on the Initial Public Offering Date who was ineligible to receive Options on such date, on the third anniversary of the Initial Public Offering Date, such Non-Employee Director shall automatically be granted an Option to purchase 13,500 shares of Common Stock provided that (i) such Non-Employee Director shall have continually served as a director of the Company since the date of such prior Option grant (or the Initial Public Offering Date in the case of a Non-Employee Director on the Initial Public Offering Date who was ineligible to receive Options on such date) and (ii) the number of shares of Common Stock available for grant under the Plan is sufficient to permit such automatic grant.

(d) ANNUAL AWARD OF OPTIONS TO NON-EMPLOYEE DIRECTOR MEMBERS OF THE EXECUTIVE COMMITTEE. On the date on which a Non-Employee Director joins the Executive Committee of the Board, the Non-Employee Director shall be awarded an Option to purchase 11,250 shares of Common Stock. The Non-Employee Director member of the Executive Committee of the Board shall automatically be granted an additional Option to purchase 11,250 shares of Common Stock on each anniversary date of the date the Non-Employee Director first became a member of the Executive Committee of the Board, provided that such Non-Employee Director shall have continually served as a member of the Executive Committee since the date of such prior option grant and the number of shares of Common Stock available for grant under the

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Plan is sufficient to permit such automatic grant. Notwithstanding the provisions of Section 5(c), an Option awarded under this Section 4(d) shall be exercisable as follows:

(i) from the date the Option is granted until the date which is six months from the date the Option is granted, the Option may not be exercised;

(ii) beginning on the day following the six-month period referred to in Section 4(d)(i), the Option may be exercised with respect to one-fourth of the Common Stock subject to the Option;



(iii) beginning on the day following the first anniversary of the date the Option is granted, the Option may be exercised with respect to an additional one-fourth of the Common Stock subject to the Option;

(iv) beginning on the day following the date which is 18 months after the date the Option is granted, the Option may be exercised with respect to an additional one-fourth of the Common Stock subject to the Option; and

(v) beginning on the day following the second anniversary of the date on which the Option is granted, the Option may be exercised with respect to all of the Common Stock subject to the Option.

(e) PROPORTIONATE REDUCTION. If as of any date on which there is to be a grant of Options hereunder there are an insufficient number of shares of Common Stock available under the Plan to make all of the grants then to be made, each Non-Employee Director then entitled to be granted an Option shall receive an Option to purchase a proportionately lesser number of shares of Common Stock.

5. TERMS AND CONDITIONS OF OPTIONS. All Options granted hereunder shall be subject to the following terms and conditions which shall be set forth in the Option Agreement:

(a) NUMBER OF SHARES OF COMMON STOCK. The number of shares of Common Stock to which the Option pertains, determined in accordance with Section of the Plan.

(b) EXERCISE PRICE. The exercise price of the Option, which shall be equal to the Fair Market Value of the Common Stock at the time of the grant of the Option.

(c) WHEN EXERCISABLE. The Option shall be exercisable as follows:

(i) From the date the Option is granted until the earlier to occur of (A) the day immediately preceding the first anniversary thereof or (B) the day immediately preceding the date of the Annual Meeting of the

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Company's stockholders which is at least 6 months from the date the Option is granted, the Option may not be exercised.

(ii) Beginning on the earlier to occur of (A) the first anniversary of the date the Option is granted or (B) the date of the Annual Meeting of the Company's stockholders which is at least 6 months from the date the Option is granted, the Option may be exercised with respect to one-third of the Common Stock subject to the Option.

(iii) Beginning on the earlier to occur of (A) the second anniversary of the date the Option is granted or (B) the date of the Annual Meeting of the Company's stockholders which is at least 18 months from the date the Option is granted, the Option may be exercised with respect to an additional one-third of the Common Stock subject to the Option.

(iv) Beginning on the earlier to occur of (A) the third anniversary of the date the Option is granted or (B) the date of the Annual Meeting of the Company's stockholders which is at least 30 months from the date the Option is granted, the Option may be exercised with respect to all of the Common Stock subject to the Option.

(d) PAYMENT OF EXERCISE PRICE. The Option Price shall be paid in cash at the time of exercise, except that in lieu of all or part of the cash, the Optionee may tender to the Company Common Stock owned by the Optionee having a Fair Market Value (at the close of business on the date the Company receives the notice of exercise) equal to the exercise price, less any cash paid.

(e) THE TERM OF OPTION. The term of the Option, which shall be ten years.

(f) NON-TRANSFERABILITY OF OPTION. The Option shall not be transferable by the Optionee otherwise than by bequest or the laws of descent and distribution, and shall be exercisable during the Optionee's lifetime only by the Optionee. Notwithstanding anything herein to the contrary, an Optionee may transfer all or a portion of the Option to (i) the Optionee'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 Optionee 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 Optionee and Family Members are the sole partners or members, as applicable. In the event that any Option is transferred by an Optionee 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 5(c) regarding termination of the Option shall refer to the Optionee, not the transferee, but the transferee shall be permitted to exercise the Option during the period provided for in Section 5(c) following the Optionee ceasing to be a director.

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(g) TERMINATION OF OPTION.

(i) If the Optionee ceases to be a director of the Company for any reason other than death, Disability or removal for cause, the Option shall terminate three months after the Optionee ceases to be a director of the Company (unless the Optionee dies during such period), or on the Option's expiration date, if earlier, and shall be exercisable during such period after the Optionee ceases to be a director of the Company only with respect to the number of shares which the Optionee was entitled to purchase on the day preceding the day on which the Optionee ceased to be a director.

(ii) If the Optionee ceases to be a director of the Company because of removal for cause, the Option shall terminate on the date of the Optionee's removal.

(iii) In the event of the Optionee's death or Disability while a director of the Company, or the Optionee's death within three months after the Optionee ceases to be a director (other than by reason of removal for cause), the Option shall terminate upon the earlier to occur of (A) 12 months after the date of the Optionee's death or disability or (B) the Option's expiration date. The Option shall be exercisable during such period after the Optionee's death or Disability with respect to the number of shares as to which the Option shall have been exercisable on the date preceding the Optionee's death or Disability, as the case may be.

6. ADMINISTRATION.

(a) THE COMMITTEE. The Plan is designed to operate automatically and not require any administration. To the extent administration is required, it shall be provided by the Compensation Committee of the Board, or by any other committee appointed by the Board which shall include two or more directors of the Company who are "disinterested persons" within the meaning of Rule 16b-3 (or any successor provision) promulgated under the Exchange Act ("Committee"). The members of the Committee shall be appointed from time to time by, and shall serve at the discretion of, the Board.

(b) AUTHORITY OF THE COMMITTEE. Subject to the provisions of the Plan, the Committee shall have the authority to:

(i) construe and interpret the Plan and any agreement or instrument entered into under the Plan;

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(ii) determine the application of the rights, conditions and restrictions provided for herein with respect to the Options; and

(iii) establish, amend and rescind rules and regulations for the Plan's administration.

The Committee shall have sole discretion to make all other determinations which may be necessary or advisable for the administration of the Plan, including, without limitation, the discretion to construe and interpret the Plan and any Option Agreement and establish, amend and revoke rules and regulations 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 as identified hereunder.

(c) 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, the Non-Employee Directors and their estates and beneficiaries.

(d) SECTION 16 COMPLIANCE. 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.

7. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION. Notwithstanding the limitations set forth in Section , in the event of a merger, consolidation, reorganization, recapitalization, reclassification, split-up, spin-off, separation, stock dividend, stock split, reverse stock split, share repurchase, share combination, share exchange or other change in corporate structure or capitalization affecting the Common Stock, the Committee shall substitute or adjust the total number of shares of Common Stock or other stock or securities available under the Plan and outstanding Options and in the number, kind and Option Price of Common Stock subject to Options granted under the Plan to prevent dilution or enlargement of the rights of Non-Employee Directors under the Plan and outstanding Options.

8. AMENDMENT AND DISCONTINUANCE.  
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(a) IN GENERAL. Except as provided in Section 8(b), the Board may discontinue, amend, modify or terminate the Plan at any time.

(b) SECTION 16(B) COMPLIANCE. To the extent required to meet the conditions for exemption from Section 16(b) of the Exchange Act or the requirements of any national securities exchange or system on which the Common Stock is then listed or reported or a

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regulatory body having jurisdiction with respect thereto, without the approval of the stockholders of the Company, no amendment, modification or termination may:

(i) materially increase the benefits accruing to Non-Employee Directors under the Plan;

(ii) materially increase the total number of shares of Common Stock which may be issued under the Plan, except as provided in Section 7; or

(iii) materially modify the eligibility requirements to receive an Option under the Plan.

Furthermore, to the extent required to meet the conditions for exemption from Section 16(b) of the Exchange Act, no amendment which would change the amount, price or timing of Option grants, other than to comply with changes in the Code or the Employee Retirement Income Security Act of 1974, as amended (to which the Plan is not currently subject), or the rules and regulations promulgated thereunder, shall be made more than once every six months.

(c) NO EFFECT ON OUTSTANDING OPTIONS. Any Option which is outstanding under the Plan at the time of its amendment or termination shall remain in effect in accordance with its terms and conditions and those of the Plan as in effect when the Option was granted.

9. MERGER, CONSOLIDATION, ETC.  
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(a) CONVERSION ON MERGER. In the event the Company merges or consolidates with another corporation, or all or substantially all of the Company's capital stock or assets are acquired by another corporation, and the surviving or acquiring corporation issues shares of its stock to the Company's stockholders in connection with the merger, consolidation or acquisition, the surviving or acquiring corporation shall adopt the Plan and, upon the exercise of an Option, the Optionee shall, at no additional cost (other than the Option Price), be entitled to receive, in lieu of the number of shares of Common Stock to which such Option is then exercisable, the number and class of shares of stock or other securities to which the Optionee would have been entitled pursuant to the terms of the merger, consolidation or acquisition if immediately prior thereto the Optionee had been the holder of record of the number of shares of Common Stock equal to the number of shares of Common Stock as to which the Option shall then be exercisable.

(b) NO CONVERSION ON CERTAIN MERGERS. In the event that the Company merges or consolidates with another corporation, or all or substantially all of the Company's capital stock or assets are acquired by another corporation, and the surviving or acquiring corporation does not issue shares of its stock to the Company's stockholders in connection with the merger, consolidation or acquisition, then, notwithstanding any other provision of the Plan to the contrary, no Option may be exercised after the effective date of the merger, consolidation or acquisition.

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10. CHANGE IN CONTROL. Notwithstanding the provisions of Section 5, upon a Change in Control, the Optionee shall have the right to exercise the Option in full as to all Common Stock subject to the Option.

11. EFFECTIVENESS AND TERMINATION OF THE PLAN.

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(a) EFFECTIVE DATE. The Plan shall become effective upon adoption by the Board. The Plan shall be rescinded and all Options granted hereunder shall be null and void unless within 12 months from the date of the adoption of the Plan by the Board it shall have been approved by the holders of a majority of the outstanding Common Stock present or represented and entitled to vote on the Plan at a stockholders' meeting.

(b) TERMINATION DATE. The Plan shall terminate on the earliest to occur of (i) the date when all the Common Stock available under the Plan shall have been acquired through the exercise of Options granted under the Plan; (ii) 10 years after the date of adoption of the Plan by the Board; or (iii) such other date as the Board may determine.

12. NO RIGHT OF REELECTION. Neither the Plan, nor any action taken under the Plan, shall be construed as conferring upon a Non-Employee Director any right to continue as a director of the Company, to be appointed or continue as a member of the Executive Committee, to be renominated by the Board or reelected by stockholders of the Company.

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 in good faith 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.

14. 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 in all events the Plan shall be construed and enforced to the maximum extent permitted by applicable law.

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.

DATED: April 15, 1993

PAPA JOHN'S INTERNATIONAL, INC.

By: /s/ John H. Schnatter

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John H. Schnatter  
Chairman and Chief Executive Officer

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Changes to Plan Document:  
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Option and share amounts have been adjusted to reflect (i) a 3-for-2 stock split, effected in the form of a 50% stock dividend, effective March 25, 1996 for holders of record on March 12, 1996, and (ii) a 3-for-2 stock split, effected in the form of a 50% stock dividend, effective November 22, 1996 for holders of record on November 8, 1996.

Revised to reflect amendments approved by the Board of Directors on February 14, 1996 and stockholders on May 22, 1996.

Revised to reflect amendments approved by the Board of Directors on October 29, 1996.

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