

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 26, 1999

OR

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

Commission File Number: 0-21660

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

Delaware  
(State or other jurisdiction of  
incorporation or organization)

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

2002 Papa John's Boulevard  
Louisville, Kentucky 40299-2334  
(Address of principal executive offices)

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

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes  No   
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At November 1, 1999, there were outstanding 30,443,572 shares of the registrant's common stock, par value \$.01 per share.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

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

<TABLE> <CAPTION> (In thousands)	September 26, 1999	December 27, 1998
	(Unaudited) <C>	(Restated - see note) <C>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 45,529	\$ 33,814
Accounts receivable	15,862	17,420
Inventories	10,431	9,808
Prepaid expenses and other current assets	5,562	4,891
Deferred income taxes	2,090	2,090
<b>Total current assets</b>	<b>79,474</b>	<b>68,023</b>
Investments	39,841	47,355
Net property and equipment	214,698	172,872
Notes receivable from franchisees	10,574	8,990
Other assets	30,186	22,484
<b>Total assets</b>	<b>\$374,773</b>	<b>\$319,724</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 21,300	\$ 18,389
Accrued expenses	28,491	26,916
Current portion of long-term debt	5,233	190
<b>Total current liabilities</b>	<b>55,024</b>	<b>45,495</b>
Unearned franchise and development fees	5,906	6,561
Long-term debt, net of current portion	925	8,230
Deferred income taxes	709	5,066
Other long-term liabilities	956	202
Stockholders' equity:		
Preferred stock	-	-
Common stock	304	298
Additional paid-in capital	187,487	166,209
Accumulated other comprehensive income (unrealized gain on investments, net of tax)	881	688
Retained earnings	123,062	87,456
Treasury stock	(481)	(481)
<b>Total stockholders' equity</b>	<b>311,253</b>	<b>254,170</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$374,773</b>	<b>\$319,724</b>

Note: The Condensed Consolidated Balance Sheet at December 27, 1998 has been derived from the audited financial statements at that date restated to reflect the acquisition of Minnesota Pizza Company, LLC, a business combination accounted for as a pooling of interests (see Note 3 of Notes to Condensed Consolidated Financial Statements).

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

<TABLE> <CAPTION> Ended (In thousands, except per share amounts)	Three Months Ended		Nine Months
	Sept. 26, 1999	Sept. 27, 1998	Sept. 26, 1999

Sept. 27, 1998

	(Restated - see note)	(Restated - see note)	(Restated - see note)
	<C>	<C>	<C>
Revenues:			
Restaurant sales	\$ 96,538	\$ 85,165	\$289,216
\$249,544			
Franchise royalties	10,261	7,899	29,783
23,005			
Franchise and development fees	1,775	1,530	5,020
3,822			
Commissary sales	81,002	63,162	227,090
180,162			
Equipment and other sales	12,504	11,676	38,706
33,596			
Total revenues	202,080	169,432	589,815
490,129			
Costs and expenses:			
Restaurant expenses:			
Cost of sales	26,449	22,876	74,031
65,950			
Salaries and benefits	25,746	22,942	78,150
67,259			
Advertising and related costs	7,972	7,131	25,245
21,680			
Occupancy costs	5,127	4,630	14,377
12,615			
Other operating expenses	12,994	11,051	38,865
32,464			
199,968	78,288	68,630	230,668
Commissary, equipment and other expenses:			
Cost of sales	72,066	58,945	202,839
167,222			
Salaries and benefits	6,135	4,328	17,691
12,300			
Other operating expenses	6,659	5,590	20,839
16,080			
195,602	84,860	68,863	241,369
General and administrative expenses	13,768	12,853	42,193
39,301			
Pre-opening and other general expenses	(43)	369	2,703
2,645			
Depreciation and amortization expense	6,252	5,375	17,529
14,962			
Total costs and expenses	183,125	156,090	534,462
452,478			
Operating income	18,955	13,342	55,353
37,651			
Investment income	831	1,039	2,459
3,112			
Income before income taxes and cumulative effect of a change in accounting principle	19,786	14,381	57,812
40,763			
Income tax expense	7,420	5,682	21,729
15,924			
Income before cumulative effect of a change in accounting principle	12,366	8,699	36,083
24,839			
Cumulative effect of accounting change, net of tax (2,603)	-	-	-
Net income	\$ 12,366	\$ 8,699	\$ 36,083
\$ 22,236			

=====			
Basic earnings per share:			
Income before cumulative effect of a change in accounting principle	\$ 0.41	\$ 0.29	\$ 1.20
\$ 0.84			
Cumulative effect of accounting change, net of tax (0.09)	-	-	-
-----			
Basic earnings per share	\$ 0.41	\$ 0.29	\$ 1.20
\$ 0.75			
=====			
Diluted earnings per share:			
Income before cumulative effect of a change in accounting principle	\$ 0.40	\$ 0.29	\$ 1.16
\$ 0.82			
Cumulative effect of accounting change, net of tax (0.09)	-	-	-
-----			
Diluted earnings per share	\$ 0.40	\$ 0.29	\$ 1.16
\$ 0.73			
=====			
Basic weighted average shares outstanding	30,335	29,635	30,156
29,473			
=====			
Diluted weighted average shares outstanding	31,228	30,388	31,131
30,395			
=====			

</TABLE>

Note: The Condensed Consolidated Statements of Income for the three and nine months ended September 27, 1998 have been restated to reflect the adoption of SOP 98-5 and the acquisition of Minnesota Pizza Company, LLC, a business combination accounted for as a pooling of interests (see Notes 2 and 3 of Notes to Condensed Consolidated Financial Statements).

See accompanying notes.

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

<TABLE>  
<CAPTION>

(In thousands)	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total Stockholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 28, 1997 as restated (see note)	\$292	\$151,349	\$321	\$ 55,515	\$ (481)	\$206,996
Comprehensive income:						
Net income	-	-	-	22,236	-	22,236
Unrealized gain on investments, net of tax of \$202	-	-	210	-	-	210
Comprehensive income						22,446
Exercise of stock options	4	7,785	-	-	-	7,789
Tax benefit related to exercise of non-qualified stock options	-	1,886	-	-	-	1,886
Other	1	239	-	(414)	-	(174)
Balance at September 27, 1998	\$297	\$161,259	\$531	\$ 77,337	\$ (481)	\$238,943
Balance at December 27, 1998 as restated (see note)	\$298	\$166,209	\$688	\$ 87,456	\$ (481)	\$254,170
Comprehensive income:						
Net income	-	-	-	36,083	-	36,083
Unrealized gain on investments, net of tax of \$88	-	-	193	-	-	193
Comprehensive income						36,276
Exercise of stock options	6	12,524	-	-	-	12,530
Tax benefit related to exercise of non-qualified stock options	-	3,440	-	-	-	3,440

Deferred tax asset - acquisition	-	5,245	-	-	-	5,245
Other	-	69	-	(477)	-	(408)

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Balance at September 26, 1999	\$304	\$187,487	\$881	\$123,062	\$(481)	\$311,253
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</TABLE>

Note: The Condensed Consolidated Statements of Stockholders' Equity for all prior periods presented have been restated to reflect the adoption of SOP 98-5 and the acquisition of Minnesota Pizza Company, LLC, a business combination accounted for as a pooling of interests (see Notes 2 and 3 of Notes to Condensed Consolidated Financial Statements).

See accompanying notes.

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

<TABLE>  
<CAPTION>

(In thousands)	Nine Months Ended	
	September 26, 1999	September 27, 1998
		(Restated - see note)
<S>	<C>	<C>
Operating activities		
Net cash provided by operating activities	\$ 63,365	\$ 49,114
Investing activities		
Purchase of property and equipment	(62,323)	(53,502)
Purchase of investments	(22,165)	(30,018)
Proceeds from sale or maturity of investments	29,703	36,547
Loans to franchisees	(5,236)	(4,139)
Loan repayments from franchisees	2,752	4,505
Deferred systems development costs	(979)	(846)
Acquisitions	(2,397)	(1,902)
Other	262	391
Net cash used in investing activities	(60,383)	(48,964)
Financing activities		
Payments on long-term debt	(9,815)	(4,480)
Proceeds from issuance of long-term debt	2,510	5,510
Proceeds from exercise of stock options	12,530	7,789
Tax benefit related to exercise of non-qualified stock options	3,440	1,886
Other	68	2
Net cash provided by financing activities	8,733	10,707
Net increase in cash and cash equivalents	11,715	10,857
Cash and cash equivalents at beginning of period	33,814	18,835
Cash and cash equivalents at end of period	\$ 45,529	\$ 29,692

</TABLE>

Note: The Condensed Consolidated Statement of Cash Flows for the nine months ended September 27, 1998, has been restated to reflect the adoption of SOP 98-5 and the acquisition of Minnesota Pizza Company, LLC, a business combination accounted for as a pooling of interests (see Notes 2 and 3 of Notes to Condensed Consolidated Financial Statements).

See accompanying notes.

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Papa John's International, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

September 26, 1999

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of

Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 26, 1999, are not necessarily indicative of the results that may be expected for the year ended December 26, 1999. For further information, refer to the consolidated financial statements and footnotes thereto included in the Annual Report on Form 10-K for Papa John's International, Inc. (referred to as the "Company," "Papa John's" or in the first person notations of "we," "us" and "our"), for the year ended December 27, 1998.

## 2. Accounting Change

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

## 3. Business Combinations

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

(In thousands) Papa John's Pizza	Three Months Ended September 27, 1998		Nine Months Ended September 27, 1998	
	Papa John's	Minnesota Pizza	Papa John's	Minnesota Pizza
<S>	<C>	<C>	<C>	
<C>				
Total revenues	\$166,428	\$4,615	\$481,629	
\$13,127				
Eliminations	(1,611)	-	(4,627)	
-				
-----				
Net combined revenue	164,817	4,615	477,002	
13,127				
Net income (loss)	9,675	(976)	24,512	
(2,276)				
Pro forma net income (loss)	9,675	(605)	24,512	
(1,411)				
</TABLE>				

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

## Notes to Condensed Consolidated Financial Statements (continued)

### 4. Segment Information

(In thousands)	Three Months Ended		Nine Months Ended	
	Sept. 26, 1999	Sept. 27, 1998	Sept. 26, 1999	Sept. 27, 1998
<S>	<C>	Restated (1) <C>	<C>	Restated (1) <C>

Revenues from external customers:				
Restaurants	\$ 96,538	\$ 85,165	\$289,216	\$249,544
Commissaries	81,002	63,162	227,090	180,162
Franchising	12,036	9,429	34,803	26,827
All others	12,504	11,676	38,706	33,596
-----				
Total revenues from external customers	\$202,080	\$169,432	\$589,815	\$490,129
=====				
Intersegment revenues:				
Commissaries	\$ 30,490	\$ 26,687	\$ 87,350	\$ 76,717
Franchising	34	32	102	95
All others	3,644	4,426	10,519	12,154
-----				
Total intersegment revenues	\$ 34,168	\$ 31,145	\$ 97,971	\$ 88,966
=====				
Income before income taxes:				
Restaurants	\$ 3,022	\$ 2,192	\$ 11,910	\$ 7,576
(2)				
Commissaries	6,696	4,113	19,303	12,295
Franchising	10,350	7,975	30,005	22,863
All others	1,014	1,406	3,574	3,835
Unallocated corporate expenses	(1,239)	(1,228)	(6,865)	
(5,622) (2)				
Elimination of intersegment profits	(57)	(77)	(115)	
(184)				
-----				
Total income before income taxes	\$ 19,786	\$ 14,381	\$ 57,812	\$ 40,763
(3)				
=====				
Gross fixed assets:				
Restaurants	\$138,512			
Commissaries	53,110			
All others	5,050			
Unallocated corporate assets	79,751			
Accumulated depreciation	(61,725)			
-----				
Net fixed assets	\$214,698			
=====				

</TABLE>

- (1) See Notes 2 and 3 of Notes to Condensed Consolidated Financial Statements.  
(2) Certain 1998 data from prior quarters has been reclassified between segments to more appropriately reflect the accounting for the Minnesota Pizza acquisition.  
(3) Excludes the cumulative effect of a change in accounting principle.

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

Restaurant Progression (1)

	Three Months Ended		Nine Months Ended	
	September 26, 1999	September 27, 1998	September 26, 1999	September 1998
-----				
<S>	<C>	<C>	<C>	<C>
U.S. Company-owned:				
Beginning of period	519	474	514	
427				
Opened	9	18	19	
57				
Closed	-	-	(1)	
(1)				
Sold to franchisees	-	(2)	(6)	
(3)				
Acquired from franchisees	20	11	22	
21				
-----				

End of period 501	548	501	548
-----			
U.S. franchised:			
Beginning of period 1,090	1,523	1,212	1,365
Opened 207	88	74	248
Closed (2)	(2)	-	(8)
Sold to Company (21)	(20)	(11)	(22)
Acquired from Company 3	-	2	6
-----			
End of period 1,277	1,589	1,277	1,589
-----			
International franchised:			
Beginning of period -	15	-	6
Opened 2	7	2	16
-----			
End of period 2	22	2	22
-----			
Total at end of period 1,780	2,159	1,780	2,159
=====			

</TABLE>

(1) Restated for the acquisition of Minnesota Pizza (see Note 3 of Notes to Condensed Consolidated Financial Statements).

#### Results of Operations

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

Revenues. Total revenues increased 19.3% to \$202.1 million for the three months ended September 26, 1999, from \$169.4 million for the comparable period in 1998, and 20.3% to \$589.8 million for the nine months ended September 26, 1999, from \$490.1 million for the comparable period in 1998.

Restaurant sales increased 13.4% to \$96.5 million for the three months ended September 26, 1999, from \$85.2 million for the comparable period in 1998, and 15.9% to \$289.2 million for the nine months ended September 26, 1999, from \$249.5 million for the comparable period in 1998. These increases were primarily due to increases of 9.6% and 13.4% in the number of equivalent Company-owned restaurants open during the three and nine months ended September 26, 1999, respectively, compared to the same period in the prior year. "Equivalent restaurants" represent the number of restaurants open at the beginning of a given period, adjusted for restaurants opened or acquired during the period on a weighted average basis. Also, sales increased 4.5% for the three months ended September 26, 1999, over the comparable period in 1998, and 3.9% for the nine months ended September 26, 1999,

over the comparable period in 1998, for Company-owned restaurants open throughout both periods due to reduced price discounting during 1999.

Franchise royalties increased 29.9% to \$10.3 million for the three months ended September 26, 1999, from \$7.9 million for the comparable period in 1998, and 29.5% to \$29.8 million for the nine months ended September 26, 1999, from \$23.0 million for the comparable period in 1998. These increases were primarily due to increases of 26.5% and 25.8% in the number of equivalent franchised restaurants open during the three and nine months ended September 26, 1999, compared to the same periods in 1998. Also, sales increased 6.9% for the three months ended

September 26, 1999, over the comparable period in 1998, and 7.5% for the nine months ended September 26, 1999, over the comparable period in 1998, for franchised restaurants open throughout both periods.

Franchise and development fees increased 16.0% to \$1.8 million for the three months ended September 26, 1999, from \$1.5 million for the comparable period in 1998, and 31.3% to \$5.0 million for the nine months ended September 26, 1999, from \$3.8 million for the comparable period in 1998. These increases were primarily due to the 264 franchised restaurants opened during the nine months ended September 26, 1999, versus the 209 opened during the comparable period in 1998, and the mix of development agreements under which the restaurants were opened. The average dollar amount of fees per franchised restaurant opening may vary from period to period, as restaurants opened pursuant to older development agreements and certain "Hometown restaurants" generally have lower required fees than restaurants opened pursuant to more recent development agreements. "Hometown restaurants" are generally located in smaller markets with fewer than 9,000 households. Hometown restaurant development agreements entered into subsequent to March 1998, generally provide for fees equivalent to those under standard development agreements.

Commissary sales increased 28.2% to \$81.0 million for the three months ended September 26, 1999, from \$63.2 million for the comparable period in 1998, and 26.0% to \$227.1 million for the nine months ended September 26, 1999, from \$180.2 million for the comparable period in 1998. These increases were primarily the result of the increases in equivalent franchised restaurants previously noted.

Equipment and other sales increased 7.1% to \$12.5 million for the three months ended September 26, 1999, from \$11.7 million for the comparable period in 1998, and 15.2% to \$38.7 million for the nine months ended September 26, 1999, from \$33.6 million for the comparable period in 1998. These increases were due to ongoing equipment and smallwares orders related to the previously noted increase in equivalent franchised restaurants and an increase in sales and support fees of the Papa John's PROFIT System, a proprietary point of sale system. The nine-month increase is also due to increases in the number of new restaurant equipment packages sold to franchisees that opened restaurants during the nine months ended September 26, 1999 as compared to the same period in 1998, partially offset by the decrease in sales of the Papa John's PROFIT System. Substantially all franchisees had installed the Papa John's PROFIT System in their existing restaurants by March 29, 1998.

Costs and Expenses. Restaurant cost of sales, which consists of food, beverage and paper costs, increased as a percentage of restaurant sales to 27.4% for the three months ended September 26, 1999, from 26.9% for the comparable period in 1998, and decreased to 25.6% for the nine months ended September 26, 1999, from 26.4% for the comparable period in 1998. The increase for the three-month period is primarily due to an increase in the average cheese block market price. Cheese represents approximately 40% of food cost and is subject to significant price fluctuations caused by weather, demand and other factors. The decrease for the nine-month period is primarily attributable to reduced restaurant menu price discounting, partially offset by an increase in the average cheese block market price.

Restaurant salaries and benefits as a percentage of restaurant sales decreased to 26.7% for the three months ended September 26, 1999, from 26.9% for the comparable period in 1998, and remained consistent at 27.0% for the nine months ended September 26, 1999 and September 27, 1998. The decrease for the three months was the result of labor efficiencies. For the nine-month period, this decrease was offset by higher staffing levels after the 14th Anniversary promotion to support the demands of new customers. Occupancy costs were relatively consistent as a percentage of restaurant sales at 5.3% for the three months ended September 26, 1999, compared to 5.4% for the comparable period in 1998, and 5.0% for the nine months ended September 26, 1999, compared to 5.1% for the comparable period in 1998.

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Advertising and related costs were relatively consistent as a percentage of restaurant sales at 8.3% for the three months ended September 26, 1999, compared to 8.4% for the comparable period in 1998 and 8.7% for the nine months ended September 26, 1999 and September 27, 1998.

Other restaurant operating expenses increased as a percentage of restaurant sales to 13.5% for the three months ended September 26, 1999, from 13.0% for the comparable period in 1998, and increased as a percentage of restaurant sales to 13.4% for the nine months ended September 26, 1999, from 13.0% for the comparable period in 1998. These increases were due to increased repair and maintenance costs. The nine-month increase is also attributed to increased costs associated with the 14th Anniversary promotion. Other operating expenses include an allocation of commissary operating expenses equal to 3% of Company-owned restaurant sales in order to assess a portion of the costs of dough production, food, equipment purchases and storage to Company-owned restaurants.

Commissary, equipment and other expenses include cost of sales and operating expenses associated with sales of food, paper, equipment, information systems,

and printing and promotional items to franchisees and other customers. These costs decreased as a percentage of combined commissary sales and equipment and other sales to 90.8% for the three months ended September 26, 1999, as compared to 92.0% for the same period in 1998, and decreased to 90.8% for the nine months ended September 26, 1999, from 91.5% for the same period in 1998. Cost of sales as a percentage of combined commissary sales and equipment and other sales decreased to 77.1% for the three months ended September 26, 1999, from 78.8% for the comparable period in 1998, and decreased to 76.3% for the nine months ended September 26, 1999, from 78.2% for the comparable period in 1998. These decreases were due primarily to the timing of certain commodity price changes and the change in classification of certain expenses to salaries and benefits previously reported as cost of sales. Salaries and benefits increased to 6.6% for the three months ended September 26, 1999, from 5.8% for the comparable period in 1998, and increased to 6.7% for the nine months ended September 26, 1999, from 5.8% for the comparable period in 1998 due primarily to the change in classification of certain expenses previously reported in cost of sales and general and administrative expenses. Other operating expenses decreased to 7.1% for the three months ended September 26, 1999, from 7.5% for the comparable period in 1998, and increased to 7.8% for the nine months ended September 26, 1999, from 7.5% for the comparable period in 1998. The decrease for the three months ended September 26, 1999 is primarily attributed to a reduction in commissary rent expense due to the opening of the Dallas, Texas and Louisville, Kentucky commissaries that were previously operated in leased facilities. The increase for the nine months ended September 26, 1999 is attributed to higher delivery costs related to the transition to a new distribution vendor and higher costs related to the 14th Anniversary promotion, partially offset by a reduction in commissary rent expense as noted above.

General and administrative expenses as a percentage of total revenues decreased to 6.8% for the three months ended September 26, 1999, from 7.6% for the comparable period in 1998, and decreased to 7.2% for the nine months ended September 26, 1999, from 8.0% for the comparable period in 1998. The decreases were due to leveraging expenses on a higher sales base, the resolution of certain tax incentives related to the construction of the new corporate headquarters facility, and the change in classification of certain expenses to commissary, equipment and other salaries and benefits previously reported as general and administrative expenses. The change in classification represented approximately 0.2% of the total improvement in both the three and nine month periods. The overall decrease in general and administrative expenses for both periods was partially offset by an increase in legal costs (see Part II, Item 1. Legal Proceedings).

Pre-opening and other general expenses decreased to (\$43,000) for the three months ended September 26, 1999, from \$369,000 for the comparable period in 1998, and increased to \$2.7 million for the nine months ended September 26, 1999, from \$2.6 million for the comparable period in 1998. The decrease for the three months is due to reduced write-offs for restaurant relocations and lower restaurant pre-opening expenses. The increase for the nine months was due to increased equipment and leasehold write-offs resulting from an increased number of restaurant relocations and divestitures, partially offset by lower restaurant pre-opening expenses. Restaurant pre-opening costs decreased due to a lower number of corporate restaurant openings during the three and nine months ended September 26, 1999 compared to the same periods in 1998.

Depreciation and amortization were relatively consistent as a percentage of total revenues at 3.1% and 3.0% for the three and nine months ended September 26, 1999, as compared to 3.2% and 3.1% for the comparable periods in 1998.

Investment Income. Investment income decreased to \$831,000 for the three months ended September 26, 1999, from \$1.0 million for the comparable period in 1998, and decreased to \$2.5 million for the nine months ended

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September 26, 1999, from \$3.1 million for the comparable period in 1998. These decreases were primarily due to a lower average balance of franchise loans and changes in the composition of our investments during the three and nine months ended September 26, 1999 compared to the same periods in 1998.

Income Tax Expense. Income tax expense, exclusive of Minnesota Pizza operating results, reflects a combined federal, state and local effective tax rate of 37.5% for the three and nine months ended September 26, 1999, compared to 37.0% for the comparable periods in 1998 (see Note 3 of Notes to Condensed Consolidated Financial Statements). The effective tax rate in 1999 increased as a result of a relative decrease in the level of tax-exempt investment income to total pre-tax income.

#### Liquidity and Capital Resources

Cash flow from operations increased to \$63.4 million for the nine months ended September 26, 1999, from \$49.1 million for the comparable period in 1998, due primarily to the higher level of net income for the first nine months of 1999 partially offset by increases in other components of working capital.

We require capital primarily for the development and acquisition of restaurants,

the addition of new commissary and support services facilities and equipment, the enhancement of corporate systems and facilities and the funding of franchisee loans. Capital expenditures of \$62.3 million for the nine months ended September 26, 1999, were funded by cash flow from operations and cash generated from the exercise of stock options.

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

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

Capital resources available at September 26, 1999, include \$45.5 million of cash and cash equivalents, \$39.8 million of investments, and \$19.5 million under a line of credit expiring in June 2000. We expect to fund planned capital expenditures for the next twelve months from these resources and operating cash flows.

#### Impact of Year 2000

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

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

As required by this three-phased approach, we completed an assessment of our internal information technology and have modified or replaced certain software and hardware to function properly in the year 2000 and thereafter. The total year 2000 project cost is immaterial to our financial position, net income and liquidity. Much of the cost related to year 2000 changes coincides with company plans to replace certain systems, including the financial accounting and payroll/human

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resource systems, which were upgraded in January 1999, in order to accommodate our planned growth. About 95% of the new financial accounting system has been implemented and the remaining portion is expected to be implemented in December 1999. Based upon the representations from the manufacturers of these systems, and our internal testing, we believe the systems are year 2000 compliant. The timing of implementation was not materially affected by year 2000 concerns.

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

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

We have queried our significant vendors with respect to year 2000 issues and have received responses from these vendors, including our cheese and tomato sauce vendors. We are not aware of any vendors with a year 2000 issue that would materially impact our results of operations, liquidity, or capital resources.

However, we have no means of ensuring that vendors will be year 2000 ready. The inability of vendors to complete their year 2000 resolution process in a timely fashion could materially impact us, although the actual impact of non-compliance by vendors is not determinable.

There can be no assurance that we will be completely successful in our efforts to address year 2000 issues. We have evaluated contingency plans in the event we do not complete all phases of the year 2000 program, but do not believe any such contingency plans need to be enacted at this time.

#### Forward Looking Statements

Certain information contained in this quarterly report, particularly information regarding future financial performance and plans and objectives of management, is forward looking. Certain factors could cause actual results to differ materially from those expressed in forward looking statements. These factors include, but are not limited to, our ability and the ability of our franchisees to obtain suitable locations and financing for new restaurant development; the hiring, training, and retention of management and other personnel; competition in the industry with respect to price, service, location and food quality; an increase in food cost due to seasonal fluctuations, weather or demand; changes in consumer tastes or demographic trends; changes in federal or state laws, such as increases in minimum wage; risks inherent to international development; and factors associated with the year 2000 evaluation and modifications. See "Forward Looking Statements" in Part I, Item I - Business Section of the Form 10-K for the fiscal year ended December 27, 1998 for additional factors.

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#### PART II. OTHER INFORMATION

##### Item 1. Legal Proceedings

On August 12, 1998, Pizza Hut, Inc. filed suit against us in the United States District Court for the Northern District of Texas under the federal Lanham Act (the "Lawsuit") claiming, among other things, that we engaged in acts of unfair competition through dissemination of "false, misleading and disparaging advertising", including without limitation, the use of our "Better Ingredients. Better Pizza." trademark. Pizza Hut is seeking injunctive relief and damages in an amount of not less than \$12.5 million, attorneys' fees, and other relief. We have filed counterclaims against Pizza Hut claiming, among other things, that the Lawsuit was filed primarily, if not solely, as a competitive ploy and that Pizza Hut had engaged in false, misleading and disparaging advertising aimed at us. We have asked the court for an award of our reasonable attorneys' fees, as well as for other relief to which we may be entitled. The trial in this case began October 25, 1999, and is currently in process. We continue to believe the Lawsuit has no merit and intend to vigorously defend the claims asserted against us.

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

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

###### a. Exhibits

Exhibit Number	Description
10.1	Committed Line of Credit Note with PNC Bank.
11	Calculation of Earnings per Share
27	Financial Data Schedule for the nine months ended September 26, 1999, which is submitted electronically to the Securities and Exchange Commission for information only and not deemed to be filed with the Commission.
99.1	Cautionary Statements. Exhibit 99.1 to our Annual Report on Form 10-K for the fiscal year ended December 27, 1998 (Commission File No. 0-21660) is incorporated herein by reference.

###### b. Current Reports on Form 8-K.

There were no reports filed on Form 8-K during the quarterly period ended September 26, 1999.

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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 9, 1999  
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/s/ E. Drucilla Milby  
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E. Drucilla Milby, Senior Vice  
President, Chief Financial  
Officer and Treasurer

COMMITTED LINE OF CREDIT NOTE  
(MULTI-RATE OPTIONS)

\$20,000,000

July 1, 1999

FOR VALUE RECEIVED, PAPA JOHN'S INTERNATIONAL, INC., a Delaware corporation (the "Borrower"), with an address at 2002 Papa John's Boulevard, Louisville, Kentucky 40299, promises to pay to the order of PNC BANK, NATIONAL ASSOCIATION (the "Bank"), in lawful money of the United States of America in immediately available funds at its offices located at 500 West Jefferson Street, Second Floor, Louisville, KY 40202, or at such other locations as the Bank may designate from time to time, the principal sum of TWENTY MILLION DOLLARS (\$20,000,000) (the "Facility") or such lesser amount as may be advanced to or for the benefit of the Borrower hereunder, together with interest accruing on the outstanding principal balance from the date hereof, all as provided below:

1. Advances. This is a committed line of credit pursuant to which the Borrower may borrow, repay and reborrow, and the Bank, subject to the terms and conditions of this Note and the Loan Documents (as hereinafter defined), will make advances to the Borrower and issue letters of credit for the account of the Borrower (the "Letters of Credit") until the Expiration Date (as hereinafter defined), provided however, that the total amount of outstanding Letters of Credit issued hereunder (in the Bank's sole discretion and subject to documentation satisfactory to the Bank) shall not exceed \$3,000,000. Each payment by the Bank under a Letter of Credit shall in the Bank's discretion constitute an advance of principal hereunder and shall be evidenced by this Note. (This is not a pre-advice for the issuance of a letter of credit and is not irrevocable.) The "Expiration Date" shall mean June 30, 2000, or such later date as may be designated by the Bank by written notice from the Bank and the Borrower. The Borrower acknowledges and agrees that in no event will the Bank be under any obligation to extend or renew the Facility or this Note beyond the Expiration Date. The Borrower may request advances hereunder upon giving oral or written notice to the Bank by 11:00 a.m. (Louisville, Kentucky time) (a) on the day of the proposed advance, in the case of advances to bear interest under the Base Rate Option (as hereinafter defined) or the As Offered Rate Option (as hereinafter defined) and (b) three (3) Business Days prior to the proposed advance, in the case of advances to bear interest under the Euro-Rate Option (as hereinafter defined), followed promptly thereafter by the Borrower's written confirmation to the Bank on any oral notice. The aggregate unpaid principal amount of advances under this Note shall not exceed the face amount of this Note.

2. Rate of Interest. Each advance outstanding under this Note will bear interest at a rate or rates per annum as may be selected by the Borrower from the interest options set forth below (each, an "Option"):

(i) Base Rate Option. A rate of interest per annum which is at all times equal to the Prime Rate ("Base Rate"). For purposes hereof, the term "Prime Rate" shall mean the rate

publicly announced by the Bank from time to time as its prime rate. The Prime Rate is determined from time to time by the Bank as a means of pricing some loans to its borrowers. The Prime Rate is not tied to any external rate of interest or index, and does not necessarily reflect the lowest rate of interest actually charged by the Bank to any particular class or category of customers. If and when the Prime Rate changes, the rate of interest with respect to any advance to which the Base Rate Option applies will change automatically without notice to the Borrower, effective on the date of any such change. There are no required minimum interest periods for advances bearing interest under the Base Rate Option.

(ii) Euro-Rate Option. A rate per annum equal to the sum of (A) the Euro-Rate plus (B) Fifty (50) basis points (.50%), for the applicable Euro-Rate Interest Period.

(iii) As Offered Rate Option. A rate of interest per annum, as offered from time to time by the Bank to the Borrower in its sole discretion, as the daily rate at which the Bank would advance funds to the Borrower (the "As Offered Rate Interest Period") in the principal amount requested.

For purposes hereof, the following terms shall have the following meanings:

"Business Day" shall mean any day other than a Saturday or Sunday or a legal holiday on which commercial banks are authorized or required to be closed for business in Louisville, Kentucky.

"Euro-Rate" shall mean, with respect to any advance to which the Euro-Rate Option applies for the applicable Euro-Rate Interest Period, the interest

rate per annum determined by the Bank by dividing (the resulting quotient rounded upwards, if necessary, to the nearest 1/100th of 1%) (i) the rate of interest determined by the Bank in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the eurodollar rate two (2) Business Days prior to the first day of such Euro-Rate Interest Period for an amount comparable to such advance and having a borrowing date and a maturity comparable to such Euro-Rate Interest Period by (ii) a number equal to 1.00 minus the Euro-Rate Reserve Percentage.

"Euro-Rate Interest Period" shall mean the period of one (1), two (2), three (3) or six (6) months selected by the Borrower commencing on the date of disbursement of an advance (or the date of conversion of an advance to the Euro-Rate Option, as the case may be) and each successive period selected by the Borrower thereafter; provided, that if a Euro-Rate Interest Period would end on a day which is not a Business Day, it shall end on the next succeeding Business Day, unless such day falls in the succeeding calendar month in which case the Euro-Rate Interest Period shall end on the next preceding Business Day. In no event shall any Euro-Rate Interest Period end on a day after the Expiration Date.

"Euro-Rate Reserve Percentage" shall mean the maximum effective percentage in effect on such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including, without limitation,

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supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as "Eurocurrency liabilities").

The Euro-Rate shall be adjusted with respect to any advance to which the Euro-Rate Option applies on and as of the effective date of any change in the Euro-Rate Reserve Percentage. The Bank shall give prompt notice to the Borrower of the Euro-Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

If the Bank determines (which determination shall be final and conclusive) that, by reason of circumstances affecting the eurodollar market generally, deposits in dollars (in the applicable amounts) are not being offered to banks in the eurodollar market for the selected term, or adequate means do not exist for ascertaining the Euro-Rate, then the Bank shall give notice thereof to the Borrower. Thereafter, until the Bank notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (a) the availability of the Euro-Rate Option shall be suspended, and (b) the interest rate for all advances then bearing interest under the Euro-Rate Option shall be converted at the expiration of the then current Euro-Rate Interest Period(s) to the Base Rate Option.

In addition, if, after the date of this Note, the Bank shall determine (which determination shall be final and conclusive) that any enactment, promulgation or adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by a governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any guideline, request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for the Bank to make or maintain or fund loans under the Euro-Rate Option, the Bank shall notify the Borrower. Upon receipt of such notice, until the Bank notifies the Borrower that the circumstances giving rise to such determination no longer apply, (a) the availability of the Euro-Rate Option shall be suspended, and (b) the interest rate on all advances then bearing interest under the Euro-Rate Option shall be converted to the Base Rate Option either (i) on the last day of the then current Euro-Rate Interest Period(s) if the Bank may lawfully continue to maintain advances under the Euro-Rate Option to such day, or (ii) immediately if the Bank may not lawfully continue to maintain advances under the Euro-Rate Option.

The foregoing notwithstanding, it is understood that the Borrower may select different Options to apply simultaneously to different portions of the advances and may select up to four (4) different interest periods to apply simultaneously to different portions of the advances bearing interest under the Euro-Rate Option. Interest hereunder will be calculated on the basis of a year of 360 days for the actual number of days elapsed. In no event will the rate of interest hereunder exceed the maximum rate allowed by law.

3. Interest Rate Election. Subject to the terms and conditions of this Note, at the end of each interest period applicable to any advance, the Borrower may renew the Option applicable to such advance or convert such advance to a different Option; provided that, during any period in which any Event of Default (as hereinafter defined) has occurred and is continuing, any advances

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bearing interest under the Euro-Rate Option shall, at the Bank's sole discretion, be converted at the end of the applicable Euro-Rate Interest Period to the Base Rate Option and the Euro-Rate Option will not be available to Borrower with respect to any new advances until such Event of Default has been cured by the Borrower or waived by the Bank. The Borrower shall notify the Bank of each election of an Option, each conversion from one Option to another, the amount of the advances then outstanding to be allocated to each Option and where relevant the interest periods therefor. In the case of converting to the Euro-Rate Option, such notice shall be given at least three (3) Business Days prior to the commencement of any Euro-Rate Interest Period. If no notice of conversion or renewal is timely received by the Bank, the Borrower shall be deemed to have converted such advance to the Base Rate Option. Any such election shall be promptly confirmed in writing by such method as the Bank may require.

4. Advance Procedures. A request for advance made by telephone must be promptly confirmed in writing by such method as the Bank may require. The Borrower authorizes the Bank to accept telephonic requests for advances, and the Bank shall be entitled to rely upon the authority of any person providing such instructions. The Borrower hereby indemnifies and holds the Bank harmless from and against any and all damages, losses, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) which may arise or be created by the acceptance of such telephone requests or making such advances. The Bank will enter on its books and records, which entry when made will be presumed correct, the date and amount of each advance, the interest rate and interest period applicable thereto, as well as the date and amount of each payment.

5. Payment Terms. The Borrower shall pay accrued interest on the unpaid principal balance of this Note in arrears: (a) for the portion of advances bearing interest under the Base Rate Option, on the first day of each month during the term hereof, (b) for the portion of advances bearing interest under the Euro-Rate Option, on the last day of the respective Euro-Rate Interest Period for such advance, (c) for the portion of advances bearing interest under the As Offered Rate Option, on the last day of each As Offered Interest Period, (d) if any Euro-Rate Interest Period or As Offered Rate Interest Period is longer than three (3) months, then also on the three (3) month anniversary of such interest period and every three (3) months thereafter, and (e) for all advances, at maturity, whether by acceleration of this Note or otherwise, and after maturity, on demand until paid in full. All outstanding principal and accrued interest hereunder shall be due and payable in full on the Expiration Date.

If any payment under this Note shall become due on a Saturday, Sunday or public holiday under the laws of the State where the Bank's office indicated above is located, such payment shall be made on the next succeeding business day and such extension of time shall be included in computing interest in connection with such payment. The Borrower hereby authorizes the Bank to charge the Borrower's deposit account at the Bank for any payment when due hereunder. Payments received will be applied to charges, fees and expenses (including attorneys' fees), accrued interest and principal in any order the Bank may choose, in its sole discretion.

6. Late Payments; Default Rate. If the Borrower fails to make any payment of principal, interest or other amount coming due pursuant to the provisions of this Note within 15 calendar

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days of the date due and payable, the Borrower also shall pay to the Bank a late charge equal to the lesser of five percent (5%) of the amount of such payment or \$100.00 (the "Late Charge"). Such 15-day period shall not be construed in any way to extend the due date of any such payment. Upon maturity, whether by acceleration, demand or otherwise, and at the Bank's option upon the occurrence of any Event of Default (as hereinafter defined) and during the continuance thereof, this Note shall bear interest at a rate per annum (based on a year of 360 days and actual days elapsed) which shall be two percentage points (2%) in excess of the interest rate in effect from time to time under this Note but not more than the maximum rate allowed by the law (the "Default Rate"). The Default Rate shall continue to apply whether or not judgment shall be entered on this Note. Both the Late Charge and the Default Rate are imposed as liquidated damages for the purposes of defraying the Bank's expenses incident to the handling of delinquent payments, but are in addition to, and not in lieu of, the Bank's exercise of any rights and remedies hereunder, under the other Loan Documents or under applicable law, and any fees and expenses of any agents or attorneys which the Bank may employ. In addition, the Default Rate reflects the increased credit risk to the Bank of carrying a loan that is in default. The Borrower agrees that the Late Charge and Default Rate are reasonable forecasts

of just compensation for anticipated and actual harm incurred by the Bank, and that the actual harm incurred by the Bank cannot be estimated with certainty and without difficulty.

7. Prepayment. The Borrower shall have the right to prepay at any time and from time to time, in whole or in part, without penalty, any advance hereunder which is accruing interest under the Base Rate Option or the As Offered Rate Option. If the Borrower prepays (whether voluntary, on default or otherwise) all or any part of any advance which is accruing interest under the Euro-Rate Option on other than the last day of the applicable Euro-Rate Interest Period, the Borrower shall pay to the Bank, on demand therefor, all amounts due pursuant to paragraph 8 below, including the Cost of Prepayment, if any.

8. Yield Protection. The Borrower shall pay to the Bank, on written demand therefor, together with the written evidence of the justification therefor, all direct costs incurred, losses suffered or payments made by Bank by reason of any change in law or regulation or its interpretation imposing any reserve, deposit, allocation of capital, or similar requirement (including without limitation, Regulation D of the Board of Governors of the Federal Reserve System) on the Bank, its holding company or any of their respective assets. In addition, the Borrower agrees to indemnify the Bank against any liabilities, losses or expenses (including loss of margin, any loss or expense sustained or incurred in liquidating or employing deposits from third parties, and any loss or expense incurred in connection with funds acquired to effect, fund or maintain any advance (or any part thereof) bearing interest under the Euro-Rate Option which the Bank sustains or incurs as a consequence of either (i) the Borrower's failure to make a payment on the due date thereof, (ii) the Borrower's revocation (expressly, by later inconsistent notices or otherwise) in whole or in part of any notice given to Bank to request, convert, renew or prepay any advance, or (iii) the Borrower's payment, prepayment or conversion of any advance bearing interest under the Euro-Rate Option on a day other than the last day of the applicable Euro-Rate Interest Period, including but not limited to the Cost of Prepayment. "Cost of Prepayment" means an amount equal to the present value, if positive, of the product of (a) the difference between (i) the yield, on the beginning date of the applicable interest period, of a U.S. Treasury

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obligation with a maturity similar to the applicable interest period minus (ii) the yield, on the prepayment date, of a U.S. Treasury obligation with a maturity similar to the remaining maturity of the applicable interest period, and (b) the principal amount to be prepaid, and (c) the number of years, including fractional years from the prepayment date to the end of the applicable interest period. The yield on any U.S. Treasury obligation shall be determined by reference to Federal Reserve Statistical Release H. 15(519) "Selected Interest Rates". For purposes of making present value calculations, the yield to maturity of a similar maturity U.S. Treasury obligation on the prepayment date shall be deemed the discount rate. The Cost of Prepayment shall also apply to any payments made after acceleration of the maturity of this Note. The Bank's determination of an amount payable under this paragraph shall, in the absence of manifest error, be conclusive and shall be payable on demand.

9. Other Loan Documents. This Note is issued in connection with a letter agreement or loan agreement between the Borrower and the Bank dated on or before the date hereof, and the other agreements and documents executed in connection therewith or referred to therein, the terms of which are incorporated herein by reference (as amended, modified or renewed from time to time, collectively the "Loan Documents"), and is secured by the property described in the Loan Documents (if any) and by such other collateral as previously may have been or may in the future be granted to the Bank to secure this Note.

10. Events of Default. The occurrence of any of the following events will be deemed to be an "Event of Default" under this Note: (i) the nonpayment of any principal, interest or other indebtedness under this Note within five (5) days after it becomes due, (ii) the occurrence of any event of default or default and the lapse of any notice or cure period under any Loan Document or any other debt, liability or obligation to the Bank of any Obligor, (iii) the filing by or against any Obligor or any Affiliate of any proceeding in bankruptcy, receivership, insolvency, reorganization, liquidation, conservatorship or similar proceeding (and, in the case of any such proceeding instituted against any Obligor or any Affiliate, such proceeding is not dismissed or stayed within 30 days of the commencement thereof); (iv) any assignment by any Obligor or any Affiliate for the benefit of creditors, or any levy, garnishment, attachment or similar proceeding is instituted against any property of any Obligor or any Affiliate held by or deposited with the Bank; (v) a default with respect to any other indebtedness of any Obligor or any Affiliate for borrowed money in excess of \$100,000.00, if the effect of such default is to cause or permit the acceleration of such debt; (vi) the entry of a final judgment in excess of \$1,000,000.00 against any Obligor or any Affiliate and the failure of such Obligor or any Affiliate either to discharge the judgment or obtain a stay thereof within thirty (30) days; (vii) any material adverse change in the business, assets, operations, financial condition or results of operations of any Obligor or any Affiliate; (viii) the revocation or attempted revocation, in

whole or in part, of any guarantee by any Guarantor; (ix) any representation or warranty made by any Obligor or any Affiliate to the Bank in any document, including but not limited to the Loan Documents is false, erroneous or misleading in any material respect; (x) the failure of any Obligor or any Affiliate to observe or perform any covenant or other agreement with the Bank contained in any Loan Document or any other documents now or in the future securing the obligations of any Obligor or any Affiliate to the Bank and such failure is not cured within 30 days after notice from the Bank; or (xi) the occurrence of any event of default or

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default and the lapse of any notice or cure period under any debt, liability or obligation to the Bank of any Affiliate.

As used herein, the term "Obligor" means any Borrower and any Guarantor, the term "Guarantor" means any guarantor of the Borrower's obligations to the Bank existing on the date of this Note or arising in the future, and the term "Affiliate" means each of PJ Food Service, Inc. and PJFS of Mississippi, Inc.

Upon the occurrence of an Event of Default: (a) the Bank shall be under no further obligation to make advances hereunder; (b) if an Event of Default specified in clause (iii) or (iv) above shall occur, the outstanding principal balance and accrued interest hereunder together with any additional amounts payable hereunder shall be immediately due and payable without demand or notice of any kind; (c) if any other Event of Default shall occur, the outstanding principal balance and accrued interest hereunder together with any additional amounts payable hereunder, at the Bank's option and without demand or notice of any kind, may be accelerated and become immediately due and payable; (d) at the Bank's option, this Note will bear interest at the Default Rate from the date of the occurrence of the Event of Default; and (e) the Bank may exercise from time to time any of the rights and remedies available under the Loan Documents or under applicable law.

11. Right of Setoff. In addition to all liens upon and rights of setoff against the Borrower's money, securities or other property given to the Bank by law, the Bank shall have, with respect to the Borrower's obligations to the Bank under this Note and to the extent permitted by law, a contractual possessory security interest in and a contractual right of setoff against, and the Borrower hereby assigns, conveys, delivers, pledges and transfers to the Bank all of the Borrower's right, title and interest in and to, all of the Borrower's deposits, moneys, securities and other property now or hereafter in the possession of or on deposit with, or in transit to, the Bank or any other direct or indirect subsidiary of PNC Bank Corp., whether held in a general or special account or deposit, whether held jointly with someone else, or whether held for safekeeping or otherwise, excluding, however, all IRA, Keogh, and trust accounts. Every such security interest and right of setoff may be exercised without demand upon or notice to the Borrower. Every such right of setoff shall be deemed to have been exercised immediately upon the occurrence of an Event of Default hereunder without any action of the Bank, although the Bank may enter such setoff on its books and records at a later time.

12. Miscellaneous. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder must be in writing (except as may be agreed otherwise above with respect to borrowing requests) and will be effective upon receipt. Such notices and other communications may be hand-delivered, sent by facsimile transmission with confirmation of delivery and a copy sent by first-class mail, or sent by nationally recognized overnight courier service, to the addresses for the Bank and the Borrower set forth above or to such other address as either may give to the other in writing for such purpose. No delay or omission on the Bank's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Bank's action or inaction impair any such right or power. No modification, amendment or waiver of any provision

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of this Note nor consent to any departure by the Borrower therefrom will be effective unless made in a writing signed by the Bank. The Borrower agrees to pay on demand, to the extent permitted by law, all costs and expenses incurred by the Bank in the enforcement of its rights in this Note and in any security therefor, including without limitation reasonable fees and expenses of the Bank's counsel. If any provision of this Note is found to be invalid by a court, all the other provisions of this Note will remain in full force and effect. The Borrower and all other makers and indorsers of this Note hereby forever waive presentment, protest, notice of dishonor and notice of non-payment. The Borrower also waives all defenses based on suretyship or impairment of collateral. If this Note is executed by more than one Borrower, the obligations of such persons or entities hereunder will be joint and several. This Note shall bind the Borrower and its heirs, executors, administrators, successors and assigns, and the benefits hereof shall inure to the benefit of the Bank and its successors and assigns; provided, however, that the Borrower may not assign this Note in whole or in part without the Bank's written consent and the Bank at any time may assign this Note in whole or in part.

This Note has been delivered to and accepted by the Bank and will be deemed to be made in the State where the Bank's office indicated above is located. This Note will be interpreted and the rights and liabilities of the Bank and the Borrower determined in accordance with the laws of the State where the Bank's office indicated above is located, excluding its conflict of laws rules. The Borrower hereby irrevocably consents to the exclusive jurisdiction of any state or federal court in the county or judicial district where the Bank's office indicated above is located; provided that nothing contained in this Note will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Borrower individually, against any security or against any property of the Borrower within any other county, state or other foreign or domestic jurisdiction. The Borrower acknowledges and agrees that the venue provided above is the most convenient forum for both the Bank and the Borrower. The Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Note.

13. WAIVER OF JURY TRIAL. The Borrower irrevocably waives any and all rights the Borrower may have to trial by jury in any action, proceeding or claim of any nature relating to this Note, any documents executed in connection with this Note or any transaction contemplated in any of such documents. The Borrower acknowledges that the foregoing waiver is knowing and voluntary.

The Borrower acknowledges that it has read and understood all the provisions of this Note, including the waiver of jury trial, and has been advised by counsel as necessary or appropriate.

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WITNESS The due execution hereof as a document under seal, as of the date first written above, with the intent to be legally bound hereby.

WITNESS/ATTEST:

PAPA JOHN'S INTERNATIONAL,  
INC., a Delaware Corporation

By: /s/ Ralph Bowman  
-----  
Ralph Bowman, Vice President

By: /s/ E. Drucilla Milby  
-----  
Print Name: E. Drucilla Milby  
-----  
Title: CFO & Treasurer  
-----

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Exhibit 11 - Calculation of Earnings per Share

<TABLE>

<CAPTION>

(In thousands, except per share amounts)	Three Months Ended		Nine Months Ended	
September 27, 1998	September 26, 1999	September 27, 1998	September 26, 1999	September 27, 1998
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Basic Earnings per Share:				
Income before cumulative effect of a change in accounting principle \$24,839	\$12,366	\$ 8,699	\$36,083	
Weighted average shares outstanding 29,473	30,335	29,635	30,156	
-----				
Basic earnings per share \$ 0.84	\$ 0.41	\$ 0.29	\$ 1.20	
=====				
Diluted Earnings per Share:				
Income before cumulative effect of a change in accounting principle \$24,839	\$12,366	\$ 8,699	\$36,083	
Weighted average shares outstanding 29,473	30,335	29,635	30,156	
Dilutive effect of outstanding common stock options 922	893	753	975	
-----				
Diluted weighted average shares outstanding 30,395	31,228	30,388	31,131	
-----				
Diluted earnings per share \$ 0.82	\$ 0.40	\$ 0.29	\$ 1.16	
=====				

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