



UNITED STATES
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 25, 2005

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 Johns Boulevard
Louisville, Kentucky 40299-2334
(Address of principal executive offices)

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

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

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Act).

Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

At October 27, 2005, there were outstanding 16,738,606 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

<u>(In thousands)</u>	<u>Sept. 25, 2005</u>	<u>Dec. 26, 2004</u>
	(Unaudited)	(Note)
Assets		
Current assets:		
Cash and cash equivalents	\$ 27,357	\$ 14,698
Accounts receivable	26,516	28,384
Inventories	23,280	23,230
Prepaid expenses and other current assets	9,128	15,208
Deferred income taxes	9,807	7,624
Total current assets	96,088	89,144
Investments	7,433	8,552
Net property and equipment	183,618	197,103
Notes receivable from franchisees and affiliates	5,500	6,828
Deferred income taxes	4,684	6,117
Goodwill	48,847	51,071
Other assets	14,959	15,672
Total assets	\$ 361,129	\$ 374,487
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 29,274	\$ 35,934
Income and other taxes	18,395	17,270
Accrued expenses	48,949	44,771
Current portion of debt	48,767	15,709
Total current liabilities	145,385	113,684
Unearned franchise and development fees	7,575	8,208
Long-term debt, net of current portion	—	78,521
Other long-term liabilities	31,581	34,851
Stockholders' equity:		
Preferred stock	—	—
Common stock	337	325
Additional paid-in capital	283,475	242,656
Accumulated other comprehensive income (loss)	155	(555)
Retained earnings	348,790	317,142
Treasury stock	(456,169)	(420,345)
Total stockholders' equity	176,588	139,223
Total liabilities and stockholders' equity	\$ 361,129	\$ 374,487

Note: The balance sheet at December 26, 2004 has been derived from the audited consolidated financial statements at that date but does not include all information and footnotes required by accounting principles generally accepted in the United States for a complete set of financial statements.

See accompanying notes.

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

<u>(In thousands, except per share amounts)</u>	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>Sept. 25, 2005</u>	<u>Sept. 26, 2004</u>	<u>Sept. 25, 2005</u>	<u>Sept. 26, 2004</u>

Domestic revenues:								
Company-owned restaurant sales	\$	107,241	\$	98,086	\$	328,513	\$	306,530
Variable interest entities restaurant sales		2,121		4,904		9,581		9,949
Franchise royalties		12,312		12,093		38,585		37,124
Franchise and development fees		688		762		2,198		1,770
Commissary sales		94,787		90,738		291,195		274,889
Other sales		11,512		13,062		36,963		40,683
International revenues:								
Royalties and franchise and development fees		2,016		1,832		6,060		5,166
Restaurant and commissary sales		5,658		6,348		17,748		18,660
Total revenues		236,335		227,825		730,843		694,771
Costs and expenses:								
Domestic Company-owned restaurant expenses:								
Cost of sales		22,051		21,741		70,876		74,288
Salaries and benefits		32,494		31,657		100,838		97,814
Advertising and related costs		9,396		9,024		28,953		27,753
Occupancy costs		7,016		6,750		20,177		19,551
Other operating expenses		14,736		13,439		42,827		40,526
Total domestic Company-owned restaurant expenses		85,693		82,611		263,671		259,932
Variable interest entities restaurant expenses		1,781		4,103		8,324		8,784
Domestic commissary and other expenses:								
Cost of sales		78,706		74,311		239,611		226,554
Salaries and benefits		7,195		7,165		21,738		21,364
Other operating expenses		11,583		14,031		37,987		43,231
Total domestic commissary and other expenses		97,484		95,507		299,336		291,149
Loss (gain) from the franchise cheese purchasing program, net of minority interest		(2,649)		211		(1,807)		14,555
International operating expenses		4,963		5,319		15,070		15,527
General and administrative expenses		23,529		18,180		67,587		54,289
Other general expenses		609		264		3,928		2,054
Depreciation and amortization		7,277		7,774		21,945		23,152
Total costs and expenses		218,687		213,969		678,054		669,442
Operating income		17,648		13,856		52,789		25,329
Investment income		502		204		1,248		488
Interest expense		(987)		(1,479)		(3,802)		(3,775)
Income before income taxes		17,163		12,581		50,235		22,042
Income tax expense		6,350		4,718		18,587		8,266
Net income	\$	10,813	\$	7,863	\$	31,648	\$	13,776
Basic earnings per common share	\$.63	\$.47	\$	1.88	\$.79
Earnings per common share - assuming dilution	\$.62	\$.46	\$	1.85	\$.79
Basic weighted average shares outstanding		17,216		16,793		16,824		17,343
Weighted average shares outstanding - assuming dilution		17,522		16,917		17,116		17,537

See accompanying notes.

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

(In thousands)	Common Stock Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balance at December 28, 2003	18,113	\$ 317	\$ 219,584	\$ (3,116)	\$ 293,921	\$ (351,434)	\$ 159,272
Comprehensive income:							
Net income	—	—	—	—	13,776	—	13,776
Change in valuation of interest rate swap agreement, net of tax of \$989	—	—	—	1,614	—	—	1,614
Other, net	—	—	—	98	—	—	98
Comprehensive income							15,488
Exercise of stock options	438	5	11,036	—	—	—	11,041
Tax benefit related to exercise of non-qualified stock options	—	—	1,423	—	—	—	1,423
Acquisition of treasury stock	(1,829)	—	—	—	—	(58,027)	(58,027)
Other	—	—	1,744	—	—	—	1,744
Balance at September 26, 2004	16,722	\$ 322	\$ 233,787	\$ (1,404)	\$ 307,697	\$ (409,461)	\$ 130,941
Balance at December 26, 2004	16,730	\$ 325	\$ 242,656	\$ (555)	\$ 317,142	\$ (420,345)	\$ 139,223
Comprehensive income:							
Net income	—	—	—	—	31,648	—	31,648
Change in valuation of interest rate swap agreement, net of tax of \$553	—	—	—	852	—	—	852
Other, net	—	—	—	(142)	—	—	(142)
Comprehensive income							32,358
Issuance of common shares from treasury stock	27	—	—	—	—	1,000	1,000
Exercise of stock options	1,181	12	34,896	—	—	—	34,908
Tax benefit related to exercise of non-qualified stock options	—	—	4,309	—	—	—	4,309
Acquisition of treasury stock	(884)	—	—	—	—	(36,824)	(36,824)
Other	—	—	1,614	—	—	—	1,614
Balance at September 25, 2005	17,054	\$ 337	\$ 283,475	\$ 155	\$ 348,790	\$ (456,169)	\$ 176,588

At September 26, 2004, the accumulated other comprehensive loss of \$1,404 was comprised of net unrealized loss on the interest rate swap agreement of \$1,583, net unrealized loss on investments of \$30 and unrealized foreign currency translation gains of \$209.

At September 25, 2005, the accumulated other comprehensive gain of \$155 was comprised of unrealized foreign currency translation gains of \$309, offset by net unrealized loss on investments of \$41 and net unrealized loss on the interest rate swap agreement of \$113.

See accompanying notes.

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

(In thousands)	Nine Months Ended	
	Sept. 25, 2005	Sept. 26, 2004
Operating activities		
Net income	\$ 31,648	\$ 13,776
Adjustments to reconcile net income to net cash provided by operating activities:		
Restaurant closure and disposition losses	104	62
Provision for uncollectible accounts and notes receivable	2,245	2,031
Depreciation and amortization	21,945	23,152
Deferred income taxes	(1,292)	(2,114)
Tax benefit related to exercise of non-qualified stock options	4,309	1,423
Other	1,926	1,387
Changes in operating assets and liabilities:		
Accounts receivable	(748)	(7,306)
Inventories	(138)	(4,498)
Prepaid expenses and other current assets	6,217	538
Other assets and liabilities	(2,393)	(1,854)
Accounts payable	(5,523)	(695)
Income and other taxes	1,125	(4,960)
Accrued expenses	4,506	(1,570)
Unearned franchise and development fees	(633)	1,892
Net cash provided by operating activities	63,298	21,264
Investing activities		
Purchase of property and equipment	(9,974)	(16,498)
Proceeds from sale of property and equipment	47	3,637
Purchase of investments	(6,597)	(4,569)
Proceeds from sale or maturity of investments	7,773	3,999
Loans to franchisees and affiliates	(3,085)	(2,500)
Loan repayments from franchisees and affiliates	6,414	4,023
Proceeds from divestitures of restaurants	—	78
Net cash used in investing activities	(5,422)	(11,830)
Financing activities		
Net proceeds (repayments) from line of credit facility	(42,500)	26,500
Net proceeds (repayments) from short-term debt - variable interest entities	(1,325)	15,288
Payments on long-term debt	—	(250)
Proceeds from issuance of common stock from treasury stock	1,000	—
Proceeds from exercise of stock options	34,908	11,041
Acquisition of treasury stock	(36,824)	(58,027)
Proceeds from formation of joint venture	—	2,500
Other	(352)	(457)
Net cash used in financing activities	(45,093)	(3,405)
Effect of exchange rate changes on cash and cash equivalents	(124)	108
Change in cash and cash equivalents	12,659	6,137
Cash resulting from consolidation of variable interest entities	—	254
Cash and cash equivalents at beginning of period	14,698	7,071
Cash and cash equivalents at end of period	\$ 27,357	\$ 13,462

See accompanying notes.

Papa John's International, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements
(Unaudited)

September 25, 2005

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 25, 2005, are not necessarily indicative of the results that may be expected for the year ended December 25, 2005. 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 26, 2004.

2. Accounting for Variable Interest Entities

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

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

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

We have a purchasing arrangement with BIBP Commodities, Inc. ("BIBP"), a special purpose entity formed at the direction of our Franchise Advisory Council in 1999, for the sole purpose of reducing cheese price volatility to domestic system-wide restaurants. BIBP is an independent, franchisee-owned corporation. BIBP purchases cheese at the market price and sells it to our distribution subsidiary, PJ Food Service, Inc. ("PJFS"), at a fixed quarterly price based in part upon historical average market prices. PJFS in turn sells cheese to Papa John's restaurants (both Company-owned and franchised) at a set quarterly price. PJFS purchased \$37.1 million and \$111.5 million of cheese from BIBP for the three and nine months ended September 25, 2005, respectively, and \$34.6 million and \$100.9 million of cheese for the comparable periods in 2004, respectively.

As defined by FIN 46, we are the primary beneficiary of BIBP, a VIE, and we began consolidating the balance sheet of BIBP as of December 28, 2003. We recognize the operating losses generated by BIBP if BIBP's shareholders' equity is in a net deficit position. Further, we will recognize the subsequent operating income generated by BIBP up to the amount of any losses previously recognized. We recognized pre-tax gains of \$3.0 million (\$1.9 million net of tax, or \$0.11 per share) and \$1.3 million (\$797,000 net of tax, or \$0.05 per share) for the three and nine months ended September 25, 2005, respectively and pretax losses of \$500,000 (\$312,500 net of tax, or \$0.02 per share) and \$20.5 million (\$12.8 million net of tax, or \$0.73 per share) for the comparable periods in 2004, respectively, from the consolidation of BIBP. The impact on future operating income from the consolidation of BIBP is expected to continue to be significant for any given

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reporting period due to the noted volatility of the cheese market, but is not expected to be cumulatively significant over time.

BIBP has an \$18.0 million line of credit with a commercial bank, which is not guaranteed by Papa John's. If the bank line of credit is substantially utilized, Papa John's will provide additional funding in the form of a loan to BIBP. As of September 25, 2005, BIBP had outstanding borrowings of \$12.8 million under the commercial bank facility and \$12.9 million from Papa John's (the \$12.9 million outstanding balance from Papa John's is eliminated upon consolidation of the financial results of BIBP with Papa John's).

In addition, Papa John's has extended loans to certain franchisees. Under FIN 46, Papa John's is deemed the primary beneficiary of three franchise entities as of September 25, 2005 and four franchise entities as of December 26, 2004, even though we have no ownership interest in them. Effective at the beginning of the second quarter of 2005, one of the franchisees, with 19 restaurants and annual revenues approximating \$12.0 million, sold its restaurants to a third party. The loan from Papa John's was partially repaid and the remainder was written off in connection with the sale. The portion of the loan written off in connection with the second quarter sale was fully reserved as of the end of the first quarter. Accordingly, the financial statements exclude the operating results of this entity for the second and third quarters of 2005 as well as the financial position of this entity as of September 25, 2005. The sale of these restaurants and related loan write-off did not have any significant impact on Papa John's consolidated operating results.

The three remaining franchise entities consolidated at September 25, 2005 operate a total of 14 restaurants with annual revenues approximating \$9.0 million. Our net loan balance receivable from these three entities is \$1.7 million at September 25, 2005, with no further funding commitments. The consolidation of these entities resulted in the recording of goodwill approximating \$540,000 and the elimination of the \$1.7 million net loan balance receivable. The consolidation of the franchise entities has had no significant impact on Papa John's operating results and is not expected to have a significant impact in future periods.

The following table summarizes the balance sheets for our consolidated VIEs as of September 25, 2005 and December 26, 2004:

(In thousands)	Sept. 25, 2005			Dec. 26, 2004		
	BIBP	Franchisees	Total	BIBP	Franchisees	Total
Assets:						
Cash and cash equivalents	\$ —	\$ 90	\$ 90	\$ 1,666	\$ 115	\$ 1,781
Accounts receivable	—	15	15	—	59	59
Accounts receivable - Papa John's	10,902	—	10,902	6,484	—	6,484
Other assets	843	338	1,181	193	594	787
Net property and equipment	—	1,201	1,201	—	3,794	3,794
Goodwill	—	540	540	—	2,752	2,752
Deferred income taxes	8,346	—	8,346	8,817	—	8,817
Total assets	\$ 20,091	\$ 2,184	\$ 22,275	\$ 17,160	\$ 7,314	\$ 24,474
Liabilities and stockholders' equity (deficit):						
Accounts payable and accrued expenses	\$ 8,393	\$ 216	\$ 8,609	\$ 7,777	\$ 1,260	\$ 9,037
Short-term debt - third party	12,750	—	12,750	14,075	1,634	15,709
Short-term debt - Papa John's	12,862	1,716	14,578	10,000	3,575	13,575
Total liabilities	\$ 34,005	\$ 1,932	\$ 35,937	\$ 31,852	\$ 6,469	\$ 38,321

Stockholders' equity (deficit)	(13,914)	252	(13,662)	(14,692)	845	(13,847)
Total liabilities and stockholders' equity (deficit)	\$ 20,091	\$ 2,184	\$ 22,275	\$ 17,160	\$ 7,314	\$ 24,474

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3. Debt

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

	Sept. 25, 2005	Dec. 26, 2004
Revolving line of credit	\$ 36,000	\$ 78,500
Debt associated with VIEs *	12,750	15,709
Other	17	21
Total debt	48,767	94,230
Less: current portion of debt	(48,767)	(15,709)
Long-term debt	\$ —	\$ 78,521

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

The \$36.0 million outstanding line of credit is classified as a current liability as of September 25, 2005 since the line of credit expires in January 2006. We do not anticipate any problems in renewing or replacing the line of credit.

4. Calculation of Earnings Per Share

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

	Three Months Ended		Nine Months Ended	
	Sept. 25, 2005	Sept. 26, 2004	Sept. 25, 2005	Sept. 26, 2004
Basic earnings per common share:				
Net income	\$ 10,813	\$ 7,863	\$ 31,648	\$ 13,776
Weighted average shares outstanding	17,216	16,793	16,824	17,343
Basic earnings per common share	\$ 0.63	\$ 0.47	\$ 1.88	\$ 0.79
Earnings per common share - assuming dilution:				
Net income	\$ 10,813	\$ 7,863	\$ 31,648	\$ 13,776
Weighted average shares outstanding	17,216	16,793	16,824	17,343
Dilutive effect of outstanding common stock options	306	124	292	194
Diluted weighted average shares outstanding	17,522	16,917	17,116	17,537
Earnings per common share - assuming dilution	\$ 0.62	\$ 0.46	\$ 1.85	\$ 0.79

5. Stock-Based Compensation

Effective at the beginning of fiscal 2002, we elected to expense the cost of employee stock options in accordance with the fair value method contained in Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting and Disclosure of Stock-Based Compensation*. Under SFAS No. 123, the fair value for options is estimated at the date of grant using a Black-Scholes-Merton ("Black-Scholes") option-pricing model, which requires the input of highly subjective assumptions including the expected stock price volatility. The election was effective as of the beginning of fiscal 2002 and applies to all stock options issued after the effective date. Prior to 2002, we followed Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations, in accounting for our employee stock options. Under APB No. 25, no compensation expense is recognized provided the exercise price of employee stock options equals or exceeds the market price of the underlying stock on the date of grant.

In December 2004, the FASB issued SFAS No. 123(R), *Share-Based Payment*, which is a revision of FASB Statement No. 123. We expect to continue using the Black-Scholes option-pricing model upon the required adoption of SFAS No. 123(R) at the beginning of fiscal 2006. If we had adopted SFAS No. 123(R) in prior years, the impact of that standard would have approximated the impact of SFAS No. 123 as described in the following paragraph. SFAS 123(R) also requires the benefit of tax deductions in excess of recognized compensation expense to be reported as a financing cash flow, rather than as an operating cash flow as required currently. This requirement will reduce net operating cash flows

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and increase net financing cash flows in periods after the adoption. While we cannot estimate what those amounts will be in the future (because they depend on, among other things, when employees exercise stock options), the amount of the tax deductions recognized from the exercise of stock options in operating cash flows for the nine months ended September 25, 2005 and September 26, 2004 were \$4.3 million and \$1.4 million, respectively.

During the three and nine months ended September 26, 2005, we recorded \$456,000 and \$1.0 million, respectively, in stock-based employee compensation expense, net of tax effects, compared to \$377,000 and \$1.1 million for the comparable periods in the prior year for options granted after the adoption of SFAS No. 123. The remaining options outstanding prior to the adoption of SFAS No. 123 are minimal and would not have a significant impact on net income or earnings per share had SFAS No. 123 been adopted at the time those options were granted.

6. Comprehensive Income

Comprehensive income is comprised of the following:

(In thousands)	Three Months Ended		Nine Months Ended	
	Sept. 25, 2005	Sept. 26, 2004	Sept. 25, 2005	Sept. 26, 2004
Net income	\$ 10,813	\$ 7,863	\$ 31,648	\$ 13,776
Change in valuation of swap agreement, net of tax	174	189	852	1,614
Other, net	(57)	(17)	(142)	98
Comprehensive income	\$ 10,930	\$ 8,035	\$ 32,358	\$ 15,488

7. Segment Information

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

The domestic restaurant segment consists of the operations of all domestic ("domestic" is defined as contiguous United States) Company-owned restaurants and derives its revenues principally from retail sales of pizza and side items, such as breadsticks, cheesesticks, chicken strips, chicken wings and soft drinks, to the general public. The domestic commissary segment consists of the operations of our regional dough production and product distribution centers and derives its revenues principally from the sale and distribution of food and paper products to domestic Company-owned and franchised restaurants. The domestic franchising segment consists of our franchise sales and support activities and derives its revenues from sales of franchise and development rights and collection of royalties from our domestic franchisees. The international operations segment principally consists of our Company-owned restaurants and commissary operation located in the United Kingdom and our franchise sales and support activities, which derive revenues from sales of franchise and development rights and the collection of royalties from our international franchisees. VIEs consist of entities in which we are the primary beneficiary, as defined in Note 2, and include BIBP and certain franchisees to which we have extended loans. All other business units that do not meet the quantitative thresholds for determining reportable segments consist of operations that derive revenues from the sale, principally to Company-owned and franchised restaurants, of printing and promotional items, risk management services, and information systems and related services used in restaurant operations.

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

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

Our segment information is as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	Sept. 25, 2005	Sept. 26, 2004	Sept. 25, 2005	Sept. 26, 2004
Revenues from external customers:				
Domestic Company-owned restaurants	\$ 107,241	\$ 98,086	\$ 328,513	\$ 306,530
Domestic commissaries	94,787	90,738	291,195	274,889
Domestic franchising	13,000	12,855	40,783	38,894
International	7,674	8,180	23,808	23,826
Variable interest entities (1)	2,121	4,904	9,581	9,949
All others	11,512	13,062	36,963	40,683
Total revenues from external customers	\$ 236,335	\$ 227,825	\$ 730,843	\$ 694,771
Intersegment revenues:				
Domestic commissaries	\$ 28,891	\$ 29,026	\$ 90,735	\$ 85,239
Domestic franchising	287	187	890	575
International	50	50	144	160
Variable interest entities (1)	37,072	34,590	111,521	100,935
All others	2,749	2,743	8,507	8,752
Total intersegment revenues	\$ 69,049	\$ 66,596	\$ 211,797	\$ 195,661
Income (loss) before income taxes:				
Domestic Company-owned restaurants (2)	\$ 4,682	\$ (534)	\$ 15,260	\$ 3,581
Domestic commissaries (3)	5,210	4,598	18,562	13,737
Domestic franchising	11,769	11,273	36,782	33,956
International	(502)	333	(423)	500
Variable interest entities (1)	3,044	(489)	1,264	(20,494)
All others	1,009	895	2,682	1,349
Unallocated corporate expenses (4)	(8,012)	(3,661)	(23,594)	(10,662)
Elimination of net intersegment (profits) losses	(37)	166	(298)	75
Total income before income taxes	\$ 17,163	\$ 12,581	\$ 50,235	\$ 22,042
Property and equipment:				
Domestic Company-owned restaurants	\$ 147,352			
Domestic commissaries	72,802			
International	3,192			
Variable interest entities (5)	2,132			
All others	12,362			
Unallocated corporate assets	120,806			
Accumulated depreciation and amortization	(175,028)			
Net property and equipment	\$ 183,618			

(1) The revenues from external customers for variable interest entities are attributable to the franchise entities to which we have extended loans that qualify as consolidated VIEs. The intersegment revenues for variable interest entities are attributable to BIBP. The income (loss) before income taxes for variable interest entities primarily relates to BIBP.

- (2) The operating results for domestic Company-owned restaurants improved \$5.2 million and \$11.7 million for the three and nine months ended September 25, 2005, respectively, primarily due to the fixed cost leverage associated with an increase in comparable sales for the corresponding periods and improved margin from an increase in restaurant pricing (including the impact of a delivery charge implementation for the majority of Company-owned restaurants in June 2005), partially offset by increased commodity costs (principally cheese).
- (3) Domestic commissaries operating income increased \$4.8 million for the nine-month period ended September 25, 2005, as a result of improved operating margin and lower administrative costs. The improvement for the third quarter was approximately \$612,000 as the impact of the improved operating margin and lower administrative costs was partially offset by increased distribution costs due to rising fuel prices and the cost of donated food product related to Gulf Coast hurricane relief efforts. The year-to-date 2005 operating income for the commissary reporting unit includes a pre-tax charge of \$925,000 associated with the closing of the Jackson, Mississippi facility at the end of March. The \$925,000 pre-tax charge includes severance payments and a write-off of the remaining net book value of the property, net of salvage value.
- (4) Unallocated corporate expenses increased \$4.4 million and \$12.9 million for the three- and nine-month periods ended September 25, 2005, respectively, consisting primarily of the following: an increase in business unit and corporate management bonuses of \$1.1 million and \$4.3 million for the three- and nine-month periods ended September 25,

2005, respectively, as a result of meeting pre-established performance goals; an increase in employee benefit costs of approximately \$600,000 and \$1.3 million for the three- and nine-month periods ended September 25, 2005, respectively, (primarily payroll taxes associated with stock option exercises, an increase in the amount of FICA taxes paid on employee tips and increased health insurance costs); increased professional fees of \$1.2 million and \$3.2 million for the three- and nine-month periods ended September 25, 2005, respectively, the majority of which related to consulting expenses associated with certain marketing and franchisee effectiveness projects; an increase in equity compensation of \$800,000 and \$900,000 for the three- and nine-month periods ended September 25, 2005, respectively, primarily related to the performance unit program offered to certain executive officers (see Management's Discussion and Analysis of Financial Condition and Results of Operations for further discussion); and a reduction in administrative expenses allocated to operating units of \$700,000 and \$2.7 million for the three- and nine-month periods, respectively. Additionally, the year-to-date 2004 results included a \$550,000 gain on the sale of unused property.

- (5) Represents property and equipment of VIE franchisees to which we have extended loans.

8. Subsequent Events

On September 26, 2005, we completed the sale of 84 Company-owned restaurants, with revenues approximating \$40.0 million for the nine months ended September 26, 2005, in Colorado and Minnesota to a new franchise group, PJCOMN Acquisition Corporation, an affiliate of Washington, DC-based private equity firm Milestone Capital Management, LLC, pursuant to an agreement announced in August 2005. Total proceeds from the transaction were \$12.0 million, including \$1.0 million for prepaid royalties and was received in cash at closing. The sale of the restaurants is not expected to have a significant impact on our remaining 2005 operating results.

On September 26, 2005, Star Papa, our 51% owned joint venture operating Papa John's restaurants in Texas, completed the acquisition of six independently-owned franchised Papa John's restaurants located in the Austin, Texas area. The purchase price was \$2.3 million. In addition, the Company also purchased seven Papa John's franchise restaurants located in the Philadelphia, Pennsylvania area at the beginning of the fourth quarter for \$1.5 million and the forgiveness of accounts receivable approximating \$500,000.

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

Results of Operations and Critical Accounting Policies and Estimates

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

Allowance for Doubtful Accounts and Notes Receivable

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

Long-Lived and Intangible Assets

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

The recoverability of intangible assets (i.e., goodwill) is evaluated annually, or more frequently if impairment indicators exist, on a reporting unit basis by comparing the fair value derived from discounted expected cash flows of the reporting unit to its carrying value.

At September 25, 2005, we had a net investment of approximately \$28.0 million associated with PJUK, our United Kingdom subsidiary, which was substantially composed of goodwill associated with our acquisition of the subsidiary. PJUK has reported deteriorating operating results for the past two years primarily due to lower sales by Perfect Pizza restaurants and a decrease in net franchise units due to restaurant closings. We are assessing possible strategic alternatives for PJUK, including initiatives designed to improve its operating results, which include an anticipated increase in net Papa John's brand franchise unit openings over the next several years. While our analyses to date do not indicate an impairment of our investment in PJUK has occurred, if these plans are not successful and operating results continue to deteriorate, we may be required to record a significant impairment charge associated with our United Kingdom subsidiary.

Insurance Reserves

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

Effective October 2004, a third party commercial insurance company began providing fully insured coverage to franchisees participating in the franchise insurance program and we ceased providing new coverage via our captive insurance subsidiary. Accordingly, this new arrangement eliminates our risk of loss for franchise insurance coverage written after September 2004. Our operating income will still be subject to potential adjustments for changes in estimated insurance reserves for policies written from October 2000 to September 2004. Such adjustments, if any, will be determined in part based upon periodic actuarial valuations.

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

BIBP is a franchisee-owned corporation that conducts a cheese-purchasing program on behalf of domestic Company-owned and franchised restaurants. As required by the Financial Accounting Standards Board's ("FASB") Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51 (FIN 46)*, we began consolidating the financial results of BIBP in the fourth quarter of 2003. We recognized pre-tax gains of approximately \$3.0 million and \$1.3 million for the three and nine months ended September 25, 2005, respectively, and pre-tax losses of \$500,000 and \$20.5 million for the three and nine months ended September 26, 2004 from the consolidation of BIBP. We expect the consolidation of BIBP to continue to have a significant impact on Papa John's operating income in future periods due to the volatility of cheese prices. Papa John's will recognize the operating losses generated by BIBP if the shareholders' equity of BIBP is in a net deficit position. Further, Papa John's will recognize subsequent operating income generated by BIBP up to the amount of BIBP losses previously recognized by Papa John's.

Deferred Income Tax Assets and Tax Reserves

As of September 25, 2005, the Company had a net deferred income tax asset balance of \$14.5 million, of which approximately \$8.3 million relates to BIBP's net operating loss carryforward. We have not provided a valuation allowance for the deferred income tax assets, including BIBP's net operating losses, since we believe it is more likely than not that the Company's future earnings will be sufficient to ensure the realization of the net deferred income tax assets for federal and state purposes.

Certain tax authorities periodically audit the Company. We provide reserves for potential exposures when we consider it probable that a taxing authority may take a sustainable position on a matter contrary to our filed position. We evaluate these issues on a quarterly basis to adjust for events, such as court rulings or audit settlements that may impact our ultimate payment for such exposures.

Restaurant Progression:

	Three Months Ended		Nine Months Ended	
	Sept. 25, 2005	Sept. 26, 2004	Sept. 25, 2005	Sept. 26, 2004
Papa John's Restaurant Progression:				
U.S. Company-owned:				
Beginning of period	570	566	568	568
Opened	2	1	4	4
Closed	(1)	—	(1)	(5)
Acquired from franchisees	—	—	2	—
Sold to franchisees	—	(1)	(2)	(1)
End of period	571	566	571	566
International Company-owned:				
Beginning of period	1	1	1	2
Sold to franchisees	—	—	—	(1)
End of period	1	1	1	1
U.S. franchised:				
Beginning of period	2,012	1,984	1,997	2,006
Opened	25	29	77	67
Closed	(20)	(13)	(57)	(73)
Acquired from Company	—	1	2	1
Sold to Company	—	—	(2)	—
End of period	2,017	2,001	2,017	2,001
International franchised:				
Beginning of period	292	220	263	214
Opened	20	23	59	42
Converted	—	—	1	—
Closed	(7)	(7)	(18)	(21)
Acquired from Company	—	—	—	1
End of period	305	236	305	236
Total restaurants — end of period	2,894	2,804	2,894	2,804

Perfect Pizza Restaurant Progression:

Franchised				
Beginning of period	114	124	118	135
Opened	1	—	4	2
Converted	—	—	(1)	—
Closed	(2)	(3)	(8)	(16)
Total restaurants - end of period	113	121	113	121

Results of Operations

Variable Interest Entities

As required by FIN 46, beginning in 2004, our reported operating results include the operating results of BIBP. The consolidation of BIBP had a significant impact on our operating results during the first nine months of 2005 and for the nine-month and full-year operating results reported in 2004, and is expected to have a significant ongoing impact on our future operating results and income statement presentation as described below.

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

The second component of the net impact from the consolidation of BIBP is reflected in the caption "Loss (income) from the franchise cheese-purchasing program, net of minority interest." This line item represents BIBP's income or loss from purchasing cheese at the spot market price and selling to franchised restaurants at a fixed quarterly price, net of any income or loss attributable to the minority interest BIBP shareholders. The amount of income or loss attributable to the

BIBP shareholders depends on its cumulative shareholders' equity balance and the change in such balance during the reporting period. The third component is reflected as investment income or interest expense depending upon whether BIBP is in a net investment or net borrowing position during the reporting period.

In addition, Papa John's has extended loans to certain franchisees. Under the FIN 46 rules, Papa John's is deemed to be the primary beneficiary of certain franchisees even though we have no ownership interest in them. Beginning in the second quarter of 2004, FIN 46 required Papa John's to recognize the operating income (losses) generated by four franchise entities operating a total of 33 restaurants with annual sales approximating \$21.0 million. Effective at the beginning of the second quarter of 2005, one of these four franchise entities with 19 restaurants and annual revenues approximating \$12.0 million, sold its restaurants to a third party. The loan from Papa John's was partially repaid and the remainder was written off in connection with this sale. Accordingly, beginning in the second quarter of 2005, we were no longer required to consolidate the operating results of these 19 restaurants. The portion of the loan written off in connection with the second-quarter sale was fully reserved as of the end of the first quarter. The sale of these restaurants and related loan write-off did not have any significant impact on Papa John's 2005 consolidated statement of operations. For the three and nine months ended September 25, 2005 and September 26, 2004, the consolidation of the applicable franchise entities had no significant net impact (less than \$25,000) on Papa John's operating results.

Summary of Operating Results

Total revenues were \$236.3 million for the third quarter of 2005 representing an increase of \$8.5 million, or 3.7%, from revenues of \$227.8 million for the comparable period in 2004. For the nine-month period ended September 25, 2005, total revenues were \$730.8 million representing an increase of \$36.1 million, or 5.2%, from revenues of \$694.8 million for the same period in 2004. The primary components of the increase in revenues for both the three- and nine-month periods are the following:

- A \$9.2 million and \$22.0 million increase, respectively, in Company-owned restaurant revenues for the three- and nine-month periods ended September 25, 2005, as compared to corresponding periods in the prior year. The increase in Company-owned restaurant revenues is primarily due to an increase in comparable sales.
- A \$4.0 million and \$16.3 million increase, respectively, in domestic commissary sales reflecting the impact of higher commodity prices, principally cheese.
- These increases were partially offset by a decline in the Company's franchise insurance premium revenue and a \$2.8 million reduction in variable interest entities restaurant sales for the third quarter due to the above-noted sale of one of the previously-consolidated franchise entities to a third party as of the beginning of the second quarter of 2005.

Our income before income taxes was \$17.2 million for the three months ended September 25, 2005 compared to \$12.6 million for the corresponding period in 2004. For the nine months ended September 25, 2005, our income before income taxes was \$50.2 million compared to \$22.0 million for the corresponding period in 2004. Excluding the impact of the consolidation of BIBP for comparable periods, third quarter 2005 income before income taxes was \$14.1 million, an increase of \$1.0 million over 2004 results, and income before income taxes for the nine months ended September 25, 2005 was \$49.0 million, an increase of \$6.4 million over 2004 results. This increase of \$1.0 million and \$6.4 million, respectively, for the three- and nine-month periods ended September 25, 2005 (excluding the consolidation of BIBP) is principally due to the following:

- Operating income at domestic Company-owned restaurants increased \$5.2 million and \$11.7 million for the three- and nine-month periods ended September 25, 2005, respectively, primarily due to the fixed cost leverage associated with an increase in comparable sales (see more detailed information below) for the corresponding periods and improved margin from an increase in restaurant pricing, partially offset by increased commodity costs (principally cheese). The previously announced delivery charge implementation for the majority of Company-owned restaurants in June 2005 allowed additional pricing flexibility that led to increased comparable transactions during the third quarter.
- Domestic franchising operating income increased \$0.5 million and \$2.8 million for the three- and nine-month periods ended September 25, 2005, respectively, primarily as a result of lower administrative costs associated with franchise operations and higher royalties due to an increase in comparable sales for domestic franchisees for the corresponding periods. The year-to-date 2005 operating income was favorably impacted as a result of increased domestic unit openings.
- Commissary operating income increased \$0.6 million for the three-month period ended September 25, 2005 primarily due to lower administrative costs. For the nine-month period ended September 25, 2005, the \$4.8 million increase occurred as a result of improved operating margin and lower administrative costs. The third

quarter 2005 operating margin was negatively impacted by increased distribution costs as a result of higher fuel costs. The year-to-date 2005 operating income for the commissary reporting unit includes a pre-tax charge of \$925,000 associated with the closing of the Jackson, Mississippi facility at the end of March. The \$925,000 pre-tax charge includes severance payments and a write-off of the remaining net book value of the property, net of salvage value.

- The Company's franchise insurance program (reported in the All Others segment information) essentially reported break-even results for both the three-month periods ending September 2005 and 2004. On a year-to-date basis in 2005, the franchise insurance program incurred a \$527,000 operating loss. This represented an improvement of approximately \$1.0 million in operating results compared to the corresponding 2004 period.

- The favorable year-over-year impact on operating income of the above items for both the three- and nine-month periods was partially offset by an increase in unallocated corporate expenses of \$4.4 million and \$12.9 million, consisting primarily of the following (in millions):

	Period Ended September 25, 2005	
	Quarter	Year-to-date
Business unit and corporate management bonuses	\$ 1.1	\$ 4.3
Employee benefit costs	0.6	1.3
Professional fees	1.2	3.2
Equity compensation and executive performance unit incentive plan	0.8	0.9
Prior year gain on sale of unused property	—	0.5
Reduced allocation to operating units and other	0.7	2.7
Total increase	\$ 4.4	\$ 12.9

The increase in business unit and corporate management bonuses is the result of meeting pre-established performance goals. The increase in employee benefit costs consists primarily of payroll taxes associated with stock option exercises, an increase in the amount of FICA taxes paid on employee tips and increased health insurance costs. The increased professional fees are primarily related to consulting expenses associated with certain marketing and franchisee effectiveness projects, as announced in the prior quarter.

The increased equity compensation charge is primarily related to the performance unit program, one component of the 2005 executive incentive compensation program, as previously disclosed in the 2005 proxy statement and other filings. The performance unit program provided for the awarding of performance units, the ultimate value of which is based upon the company's ending stock price and total shareholder return relative to a peer group of companies over a three-year performance period ending in December 2007, with awards paid in cash at the end of the performance period. Participants in the program are entitled to receive payments based on the value of a targeted number of performance units at the end of the measurement period, with adjustments based on relative stock performance against the peer group (ranging from 50% of target at the threshold 40th percentile, to 200% of target at or above the 75th percentile). The performance unit program requires the Company to estimate the total value to be paid at the end of December 2007, which is recorded on a pro rata basis throughout the performance period, and the estimate is updated at each quarterly reporting period.

The market price of Papa John's common stock increased approximately 22% during the third quarter, requiring a revised estimate of both the ending stock price and the three-year relative performance measure. This produced an increase of approximately \$2.0 million in the total estimated payout at the end of December 2007 as compared to the previous estimate, resulting in a total third quarter charge of approximately \$675,000 of which approximately \$335,000 related to the change in estimate. Because the revised estimate of the total return for Papa John's common stock relative to the peer group over the three-year performance period ending December 2007 is now near the maximum level allowable under the performance unit program, any further increases in the total estimated payout are not expected to be significant. However, volatility in the earnings charge or credit recorded from quarter to quarter in response to future estimated payout revisions might occur throughout the remainder of the three-year performance period.

Diluted earnings per share were \$0.62 (including an \$0.11 per share gain from the consolidation of BIBP) in the third quarter of 2005, compared to \$0.46 (including a \$0.02 per share loss from the consolidation of BIBP) in the comparable period of 2004. For the nine months ended September 25, 2005, diluted earnings per share were \$1.85 per share (including a per share gain of \$0.05 per share from the consolidation of BIBP), compared to \$0.79 per share (including a per share loss of \$0.73 from the consolidation of BIBP) for the comparable period in 2004. In December 1999, we began a

repurchase program for our common stock. Through September 25, 2005, an aggregate of \$457.4 million of shares have been repurchased (representing 16.6 million shares, at an average price of \$27.55 per share). The share repurchase activity during the past twelve months increased earnings per share by approximately \$0.01 for the third quarter of 2005 and \$0.07 on a year-to-date basis.

Review of Operating Results

Revenues. Domestic Company-owned restaurant sales increased 9.3% to \$107.2 million for the three months ended September 25, 2005, from \$98.1 million for the same period in 2004, and increased 7.2% to \$328.5 million for the nine months ended September 25, 2005 from \$306.5 million for the comparable period in 2004. These increases are primarily due to comparable sales increases of 8.7% and 6.7% for the three- and nine-month periods in 2005.

Domestic franchise sales increased 3.6% to \$324.9 million for the three months ended September 25, 2005, from \$313.5 million for the same period in 2004, and increased 4.9% to \$1.014 billion for the nine months ended September 25, 2005, from \$966.8 million for the same period in 2004. The increase for the three months ended September 25, 2005 primarily resulted from a 2.3% increase in comparable sales and a 1.0% increase in the number of equivalent franchise units. The increase for the nine months ended September 25, 2005, primarily resulted from a 3.9% increase in comparable sales. Domestic franchise royalties increased 1.8% to \$12.3 million for the three months ended September 25, 2005, from \$12.1 million for the comparable period in 2004, and increased 3.9% to \$38.6 million for the nine-month period in 2005 as compared to \$37.1 million for the comparable period in 2004. The increase for the three- and nine-month periods ended September 25, 2005 is due to the previously mentioned increase in franchise sales, partially offset by an increase in waivers granted to certain franchisees.

The comparable sales base and average weekly sales for 2005 and 2004 for domestic corporate and franchised restaurants consisted of the following:

	Three Months Ended			
	Sept. 25, 2005		Sept. 26, 2004	
	Company	Franchise	Company	Franchise
Total domestic units (end of period)	571	2,017	566	2,001
Equivalent units	568	1,999	563	1,979
Comparable sales base units	557	1,865	550	1,887
Comparable sales base percentage	98.1%	93.3%	97.7%	95.4%
Average weekly sales - comparable units	\$ 14,589	\$ 12,707	\$ 13,450	\$ 12,261
Average weekly sales - other units	\$ 11,369	\$ 9,669	\$ 11,258	\$ 10,691
Average weekly sales - all units	\$ 14,528	\$ 12,504	\$ 13,400	\$ 12,188

	Nine Months Ended			
	Sept. 25, 2005		Sept. 26, 2004	
	Company	Franchise	Company	Franchise
Total domestic units (end of period)	571	2,017	566	2,001
Equivalent units	567	1,989	563	1,985

Comparable sales base units	556	1,865	548	1,901
Comparable sales base percentage	98.2%	93.8%	97.4%	95.8%
Average weekly sales - comparable units	\$ 14,942	\$ 13,283	\$ 14,042	\$ 12,573
Average weekly sales - other units	\$ 10,694	\$ 9,916	\$ 10,837	\$ 10,552
Average weekly sales - all units	\$ 14,865	\$ 13,072	\$ 13,958	\$ 12,487

Domestic franchise and development fees were \$688,000 for the three months ended September 25, 2005, including approximately \$169,000 recognized upon development cancellation or franchise renewal and transfer, compared to \$762,000 for the same period in 2004 and increased to \$2.2 million for the nine months ended September 25, 2005, including approximately \$551,000 recognized upon development cancellation or franchise renewal and transfer, from \$1.8 million for the same period in 2004. The 2005 domestic franchise and development fees were due to 25 and 77 domestic franchise openings, during the three and nine months ended September 25, 2005, respectively, compared to 29 and 67, respectively, opened during the same periods in 2004.

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Domestic commissary sales increased \$4.0 million, or 4.5%, to \$94.8 million for the three months ended September 25, 2005, from \$90.7 million for the comparable period in 2004 and increased \$16.3 million, or 5.9%, to \$291.2 million for the nine months ended September 25, 2005, from \$274.9 million for the comparable period in 2004. The increase in commissary revenue is primarily due to the favorable impact of higher commodity prices, primarily cheese, on commissary sales. Other sales decreased to \$11.5 million for the three months ended September 25, 2005, from \$13.1 million for the comparable period in 2004 and decreased to \$37.0 million for the nine months ended September 25, 2005, from \$40.7 million for the comparable period in 2004, primarily as a result of a decrease in revenues associated with insurance-related services provided to franchisees.

International revenues consist primarily of the Papa John's United Kingdom (U.K.) operations, denominated in British Pounds Sterling and converted to U.S. dollars (approximately 85.0% of international revenues for both the three- and nine-month periods in 2005). The remaining international revenues consist of development fees and royalties from other international franchisees and are denominated in U.S. dollars. Total international revenues were \$7.7 million for the three months ended September 25, 2005, compared to \$8.2 million for the comparable period in 2004, reflecting lower commissary sales due to lower volumes and the unfavorable impact from the change in foreign currency translation. Total international revenues were \$23.8 million for both nine-month periods ended September 2005 and 2004, as revenues from increased unit openings were partially offset by the impact of lower average unit volumes on royalties and commissary sales.

Costs and Expenses. The restaurant operating margin at domestic Company-owned units was 20.1% and 19.7% for the three and nine months ended September 25, 2005, respectively, compared to 15.8% and 15.2% for the same periods in 2004, consisting of the following differences:

- Cost of sales were 1.6% and 2.7% lower as a percentage of sales for the three- and nine-month periods in 2005 compared to the same periods in 2004. The impact of consolidating BIBP decreased cost of sales for the three-month period ending September 25, 2005 by 0.7% (no significant impact for the three months ended September 26, 2004); whereas the consolidation of BIBP decreased cost of sales 0.2% for the nine months ended September 26, 2005 and increased cost of sales 1.8% for the nine-month period ending September 26, 2004. The remaining improvement in cost of sales not explained by the year-over-year impact of BIBP consolidation resulted principally from increases in restaurant pricing, partially offset by increases in commodities (principally cheese).
- Salaries and benefits were 2.0% and 1.2% lower as a percentage of sales in 2005, due to staffing efficiencies and the benefit of pricing increases.
- Advertising and related costs as a percentage of sales were 0.4% lower in the third quarter of 2005 and 0.2% lower for the nine-months ended September 25, 2005, as compared to the corresponding 2004 periods, reflecting leverage from increased sales.
- Occupancy and other operating costs, on a combined basis, as a percentage of sales were 0.3% and 0.4% lower in 2005, reflecting the leverage from increased sales.

Domestic commissary and other margin was 8.3% and 8.8% for the three and nine months ended September 25, 2005, respectively, compared to 8.0% and 7.7% for the same periods in 2004. Cost of sales was 74.0% of revenues for the three months ended September 25, 2005, compared to 71.6% for the same period in 2004, and 73.0% for the nine months ended September 25, 2005, compared to 71.8% for the same period in 2004. These increases are primarily due to higher cheese costs incurred by the commissaries (cheese has a fixed-dollar as opposed to fixed-percentage mark-up). Salaries and benefits as a percentage of sales were 6.8% for the three months ended September 25, 2005 compared to 6.9% for the same period in 2004, and 6.6% for the nine months ended September 25, 2005, compared to 6.8% for the same period in 2004. Other operating expenses decreased to 10.9% and 11.6% of sales for the three and nine months ended September 25, 2005, compared to 13.5% and 13.7% for the same periods in 2004, primarily as a result of a decrease in claims loss reserves increases related to the franchise insurance program recorded in the third quarter of 2005 as compared to 2004 and the leverage from increased commissary sales.

The Company recorded income from the franchise cheese-purchasing program, net of minority interest, of \$2.6 million for the three months ended September 25, 2005 compared to a \$211,000 loss for the comparable period in 2004. For the nine months ended September 25, 2005, the Company recorded a gain of \$1.8 million compared to a loss of \$14.6 million for the comparable period in 2004. These results represent the portion of BIBP's operating (income) loss related to the proportion of BIBP cheese sales to franchisees. The total impact of the consolidation of BIBP on Papa John's pre-tax income was gains of \$3.0 million and \$1.3 million for the three- and nine-month periods ended September 25, 2005, and losses of \$500,000 and \$20.5 million for the comparable periods in 2004 (see Company-owned restaurant cost of sales and net interest for other components of total BIBP impact).

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International operating margin decreased to 12.3% and 15.1% for the three and nine months ended September 25, 2005, from 16.2% and 16.8% for the same periods in 2004 primarily due to the loss of leverage from lower U.K. commissary sales.

General and administrative expenses were \$23.5 million, or 10.0% of revenues, for the three months ended September 25, 2005, compared to \$18.2 million or 8.0% of revenues for the same period in 2004, and \$67.6 million, or 9.2% of revenues, for the nine months ended September 25, 2005, compared to \$54.3 million, or 7.8% of revenues, for the same period in 2004. The increases for the three- and nine-month periods in 2005 are primarily attributable to the previously mentioned increases in unallocated corporate expenses, including bonuses paid to corporate and restaurant management, stock compensation expenses, employee benefits costs and professional fees.

Other general expenses were \$609,000 for the three months ended September 25, 2005, compared to \$264,000 for the comparable period in 2004, and \$3.9 million for the nine months ended September 25, 2005, compared to net expense of \$2.1 million for the same period in 2004. The increase in Other general expenses for the three months ended September 25, 2005, as compared to the corresponding period in 2004, is due to an increase in the provision for uncollectible accounts receivable and the fact that the 2004 third quarter included a gain of \$280,000 from the sale of 49% interest in 71 restaurants as part of the formation of the joint venture operating the Texas Company-owned restaurants. The \$1.9 million increase for the nine months ended September 25, 2005, as compared to the corresponding 2004 period, is primarily due to \$925,000 of costs

incurred in the first quarter of 2005 with the closing of the Jackson commissary and the fact that the 2004 Other operating expense total included the previously mentioned \$280,000 gain on the sale of the 71 restaurants and a \$550,000 gain on the sale of unused property.

Depreciation and amortization was \$7.3 million (3.1% of revenues) for the three months ended September 25, 2005 compared to \$7.8 million (3.4% of revenues) for the comparable period in 2004 and \$21.9 million (3.0% of revenues) for the nine months ended September 25, 2005, compared to \$23.2 million (3.3% of revenues) for the same period in 2004.

Net interest. Net interest expense was \$485,000 in the third quarter of 2005, compared to \$1.3 million in 2004, and \$2.6 million for the nine months ended September 25, 2005, compared to \$3.3 million for the comparable period in 2004. The interest expense for the three and nine months ended September 25, 2005 includes approximately \$370,000 and \$983,000 related to BIBP's debt with a third-party bank. The decline in 2005 net interest expense reflects the decline in our average outstanding debt balance.

Income Tax Expense. The effective income tax rate was 37.0% for the three and nine months ended September 25, 2005 as compared to 37.5% for the corresponding periods in 2004. The decrease in the effective tax rate is primarily related to an increase in FICA tax credits associated with an increase in the employer portion of FICA taxes paid on employee tips, which is reported in general and administrative expenses. The lower effective income tax rate is expected to continue for the remainder of 2005.

Liquidity and Capital Resources

Our debt is comprised of the following:

	Sept. 25, 2005	Dec. 26, 2004
Revolving line of credit	\$ 36,000	\$ 78,500
Debt associated with VIEs *	12,750	15,709
Other	17	21
Total debt	48,767	94,230
Less: current portion of debt	(48,767)	(15,709)
Long-term debt	\$ —	\$ 78,521

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

The \$36.0 million outstanding balance under the line of credit is classified as a current liability as of September 25, 2005 since the line of credit expires in January 2006. We do not anticipate any problems in renewing or replacing the line of credit.

The revolving line of credit allows us to borrow up to \$175.0 million with an expiration date in January 2006. Outstanding balances accrue interest at 62.5 to 100.0 basis points over the London Interbank Offered Rate (LIBOR) or other bank developed rates at our option. The commitment fee on the unused balance ranges from 15.0 to 20.0 basis points. The increment over LIBOR and the commitment fee are determined quarterly based upon the ratio of total indebtedness to earnings before interest, taxes, depreciation and amortization (EBITDA).

Cash flow from operations increased to \$63.3 million in the first nine months of 2005 from \$21.3 million for the comparable period in 2004. The consolidation of BIBP increased cash flow from operations by approximately \$1.3 million in 2005 and reduced cash flow from operations by approximately \$20.5 million in 2004. The primary reasons for the \$20.2 million increase in cash flow from operations in the first nine months of 2005 (prior to BIBP consolidation) were the above-noted increases in operating income, net of income taxes, favorable working capital changes and the tax benefit related to the exercise of non-qualified stock options.

We require capital primarily for the development, acquisition, renovation and maintenance of restaurants, the development, renovation and maintenance of commissary and print and promotions facilities and equipment and the enhancement of corporate systems and facilities. Additionally, we began a common stock repurchase program in December 1999. During the nine months ended September 25, 2005, common stock repurchases of \$36.8 million, net debt repayments of \$43.8 million and capital expenditures of \$10.0 million were funded primarily by cash flow from operations, proceeds from stock option exercises, net loan repayments from franchisees and affiliates and available cash and cash equivalents.

Our Board of Directors has authorized the repurchase of up to an aggregate of \$500.0 million of our common stock through December 25, 2005. At September 25, 2005, a total of 16.6 million shares have been repurchased for \$457.4 million at an average price of \$27.55 per share since the repurchase program started in 1999. Subsequent to September 25, 2005, through October 23, 2005, we repurchased an additional 404,000 shares at an aggregate cost of \$20.4 million (an average price of \$50.41 per share).

We expect to fund planned capital expenditures and additional discretionary repurchases of our common stock, if any, for the remainder of 2005 from operating cash flows and the \$114.0 million remaining availability under our line of credit, reduced for certain outstanding letters of credit. Our debt, which is primarily due to the share repurchase program, was \$48.8 million (including \$12.8 million associated with BIBP) at September 25, 2005, compared to \$94.2 million (including \$15.7 million associated with BIBP and other consolidated VIEs) at December 26, 2004.

On September 26, 2005, we completed the sale of 84 Company-owned restaurants, with revenues approximating \$40.0 million for the nine months ended September 26, 2005, in Colorado and Minnesota to a new franchise group, PJCOMN Acquisition Corporation, an affiliate of Washington, DC-based private equity firm Milestone Capital Management, LLC, pursuant to an agreement announced in August 2005. Total proceeds from the transaction were \$12.0 million, including \$1.0 million for prepaid royalties and was received in cash at closing. The sale of the restaurants is not expected to have a significant impact on our remaining 2005 operating results.

On September 26, 2005, Star Papa, our 51% owned joint venture operating Papa John's restaurants in Texas, completed the acquisition of six independently-owned franchised Papa John's restaurants located in the Austin, Texas area. The purchase price was \$2.3 million. In addition, the Company also purchased seven Papa John's franchise restaurants located in the Philadelphia, Pennsylvania area at the beginning of the fourth quarter for \$1.5 million and the forgiveness of accounts receivable approximating \$500,000. We plan to consolidate additional franchise units in the Philadelphia market as the opportunity arises and expect to build approximately 20 Company-owned units over the next four to five years in order to more quickly achieve greater market penetration and awareness. If successful, this "buy and build" approach may be used in additional under-penetrated domestic markets over time to enhance overall net unit growth and market development.

Forward-Looking Statements

Certain information contained in this quarterly report, particularly information regarding future financial performance and plans and objectives of management, is forward-looking. Certain factors could cause actual results to differ materially from those expressed in forward-looking statements. These factors include, but are not limited to the

uncertainties associated with litigation; increases in advertising, promotions and discounting by competitors, which may adversely affect sales; new product and concept developments by food industry competitors; the ability of the Company and its franchisees to open new restaurants and operate new and existing restaurants profitably; increases in or sustained high levels of food, labor, utilities, fuel, employee compensation and benefits, insurance and similar costs; the ability to obtain ingredients from alternative suppliers if needed; health- or disease-related disruptions or consumer concerns about

commodities supplies; economic, political and health conditions in the countries in which the Company or its franchisees operate; the selection and availability of suitable restaurant locations; negotiation of suitable lease or financing terms; constraints on permitting and construction of restaurants; higher-than-anticipated construction costs; hiring, training and retention of management and other personnel; changes in consumer taste, demographic trends, traffic patterns and the type, number and location of competing restaurants; federal and state laws governing such matters as wages, working conditions, citizenship requirements and overtime; and labor shortages in various markets resulting in higher required wage rates. The above factors might be especially harmful to the financial viability of franchises in under-penetrated or emerging markets, leading to greater unit closings than anticipated. Increases in projected claims losses for the Company's self-insured coverage or within the captive franchise insurance program could have a significant impact on our operating results. Our international operations are subject to additional factors, including currency regulations and fluctuations; differing cultures and consumer preferences; diverse government regulations and structures; ability to source high-quality ingredients and other commodities in a cost-effective manner; and differing interpretation of the obligations established in franchise agreements with international franchisees. See "Part I. Item 1. – Business Section – Forward-Looking Statements" of the Annual Report on Form 10-K for the fiscal year ended December 26, 2004 for additional factors.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our debt at September 25, 2005 was principally comprised of a \$36.0 million outstanding principal balance on the \$175.0 million unsecured revolving line of credit. The interest rate on the revolving line of credit is variable and is based on LIBOR plus a 62.5 to 100.0 basis point spread, tiered based upon debt and cash flow levels. In November 2001, we entered into an interest rate swap agreement that provides for a fixed rate of 5.31%, as compared to LIBOR, on \$100.0 million of floating rate debt from March 2003 to March 2004, reducing to a notional value of \$80.0 million from March 2004 to March 2005, and reducing to a notional value of \$60.0 million in March 2005 with an expiration date of March 2006.

The effective interest rate on the line of credit, including the impact of the interest rate swap agreement, was 5.93% as of September 25, 2005. An increase in the present interest rate of 100 basis points on the line of credit balance outstanding as of September 25, 2005, as mitigated by the interest rate swap based on present interest rates, would have no impact on interest expense since the debt balance is less than the \$60.0 million notional amount. The annual impact of a 100-basis-point increase in interest rates on the debt associated with VIEs would be \$127,500.

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

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

As a result of the adoption of FIN 46, Papa John's began consolidating the operating results of BIBP in 2004. Consolidation accounting requires the portion of BIBP operating income (loss) related to domestic Company-owned restaurants to be reflected as a reduction (increase) in the "Domestic Company-owned restaurant expenses – cost of sales" line item, thus reflecting the actual market price of cheese had the purchasing arrangement not existed. The consolidation of BIBP had a significant impact on first nine months of 2005 and full-year 2004 operating results and is expected to have a significant impact on future operating results depending on the prevailing spot block market price of cheese as compared to the price charged to domestic restaurants. Over time, we expect BIBP to achieve break-even financial results.

The following table presents the actual average block price for cheese and the BIBP block price by quarter as projected through 2006 (based on the October 26, 2005 Chicago Mercantile Exchange (CME) milk futures market prices) and actual prices in 2004 and the first three quarters of 2005:

	2006		2005		2004	
	BIBP Block Price	Actual Block Price	BIBP Block Price	Actual Block Price	BIBP Block Price	Actual Block Price
Quarter 1	\$ 1.548*	\$ 1.420*	\$ 1.520	\$ 1.539	\$ 1.220	\$ 1.426
Quarter 2	1.476*	1.401*	1.550	1.515	1.326	2.012
Quarter 3	1.564*	1.481*	1.677	1.485	1.556	1.528
Quarter 4	1.497*	1.427*	1.625	1.505*	1.535	1.617
Full Year	\$ 1.521*	\$ 1.432*	\$ 1.593	\$ 1.511*	\$ 1.409	\$ 1.646

*amounts are estimates based on futures prices

Based on the above-noted CME milk futures market prices, and the actual fourth-quarter 2005 and projected 2006 cheese costs to restaurants as determined by the BIBP pricing formula, the consolidation of BIBP is projected to increase (decrease) our operating income as follows (in thousands):

	Increase / (decrease)
Quarter 1 - 2005	\$ (1,595)
Quarter 2 - 2005	(185)
Quarter 3 - 2005	3,044
Quarter 4 - 2005	3,304*
Full Year - 2005	\$ 4,568*

Quarter 1 - 2006	\$	3,537*
Quarter 2 - 2006		1,936*
Quarter 3 - 2006		1,940*
Quarter 4 - 2006		1,916*
Full Year - 2006	\$	<u>9,329*</u>

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

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

Item 4. Controls and Procedures

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

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

During the third quarter of 2005, we implemented a new Enterprise Resource Planning System. We believe that effective internal control over financial reporting was maintained during and after the implementation.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

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

The Papa John's Board of Directors has authorized the repurchase of up to \$500.0 million of common stock under a share repurchase program that began December 9, 1999, and runs through December 25, 2005. Through September 25, 2005, a total of 16.6 million shares with an aggregate cost of \$457.4 million and an average price of \$27.55 per share have been repurchased under this program and placed in treasury. The following table summarizes our repurchases by fiscal period during 2005 (in thousands, except per-share amounts):

Fiscal Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
12/27/2004 - 01/23/2005	131	\$ 34.38	15,848	\$ 74,940
01/24/2005 - 02/20/2005	109	\$ 34.52	15,957	\$ 71,178
02/21/2005 - 03/27/2005	163	\$ 34.74	16,120	\$ 65,528
03/28/2005 - 04/24/2005	—*	—	16,120	\$ 65,528
04/25/2005 - 05/22/2005	—*	—	16,120	\$ 65,528
05/23/2005 - 06/26/2005	—*	—	16,120	\$ 65,528
06/27/2005 - 07/24/2005	—*	—	16,120	\$ 65,528
07/25/2005 - 08/21/2005	—*	—	16,120	\$ 65,528
08/22/2005 - 09/25/2005	481	\$ 47.62	16,601	\$ 42,636

*There were no share repurchases during these periods.

On August 11, 2005, our share repurchase authorization was increased from \$450.0 million to \$500.0 million. For presentation purposes, the maximum dollar value of shares that may be purchased was adjusted retroactively to December 27, 2004.

Item 6. Exhibits

Exhibit Number	Description
10.1	Amended and Restated Assets Purchase Agreement dated September 26, 2005 between Papa John's International, Inc. and PJCOMN Acquisition Corporation.
31.1	Section 302 Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a -15(e)

- 31.2 Section 302 Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a -15(e)
- 32.1 Section 906 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Section 906 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.1 Cautionary Statements. Exhibit 99.1 to our Annual Report on Form 10-K for the fiscal year ended December 26, 2004 (Commission File No. 0-21660) is incorporated herein by reference.

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 1, 2005

/s/ J. David Flanery

J. David Flanery
Senior Vice President and Chief Financial
Officer

AMENDED AND RESTATED
ASSETS PURCHASE AGREEMENT

This **AMENDED AND RESTATED ASSETS PURCHASE AGREEMENT** ("Agreement") is made as of the 26th day of September, 2005, by and among (i) **PAPA JOHN'S USA, INC.**, a Kentucky corporation ("PJUSA") and **PAPA JOHN'S INTERNATIONAL, INC.**, a Delaware corporation ("Papa John's") (PJUSA and Papa John's sometimes referred to collectively as the "Sellers"); and (ii) **PJCOMN ACQUISITION CORPORATION**, a Delaware corporation ("Buyer"). Buyer and Sellers are sometimes individually or collectively referred to herein as a "Party" or the "Parties".

Recitals:

- A.** Sellers and Buyer entered into the Assets Purchase Agreement dated August 12, 2005 (the "Prior Agreement") and now Sellers and Buyer desire to amend and restate the Prior Agreement by entering into this Agreement, and for this Agreement to supercede the Prior Agreement.
- B.** Sellers own and operate Eighty-five (85) Papa John's Pizza stores described more particularly in **Exhibit A** attached hereto (all of the foregoing stores referred to herein as the "Stores" and the operation of the retail restaurant businesses with respect to the Stores being referred to herein as the "Business").
- C.** Sellers desires to sell and convey to Buyer, and Buyer desires to purchase and acquire from Sellers, free and clear of all Security Interests (as defined herein), all of Sellers' right, title, and interest in and to certain assets of Sellers relating to the Stores and necessary for the operation of the Business as presently conducted and as set forth herein but specifically excluding certain assets as provided herein.

Agreement:

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. Purchase and Sale.

(a) Acquired Assets. Upon the terms and subject to the conditions set forth herein, Sellers hereby agree to sell, transfer, convey, assign and deliver to Buyer at the Closing, and Buyer hereby agrees to purchase and acquire from Sellers at the Closing, free and clear of all Security Interests (as defined below), all of Sellers' right, title and interest in and to certain assets of Sellers which are all of the assets required to operate the Stores and Business as presently conducted and are in such amount, quality and specifications required to operate the Stores in compliance with all Papa John's current specifications and standards (the "Acquired Assets"):

As used in this Agreement, "Security Interests" means any mortgage, pledge, assessment, security interest, lien, liability, obligation, option, restriction, adverse claim or other encumbrance or debt of any kind or nature, other than (i) such as shall be included in the Assumed Liabilities (as defined herein), and (ii) such as shall have been created by the terms of the Leases, the Licenses or the Assigned Contracts validly transferred by Sellers to Buyer in accordance with this Agreement.

(i) all machinery, equipment, signage, smallwares, telephone systems, computers (including — to the extent owned by Sellers — laptops, desktops, PDAs, cellular telephones and Blackberry devices currently used by any personnel directly associated with the Stores or the operation of the Business), computer systems, software and data licenses (exclusive of Sellers' proprietary software and data relating to Papa John's franchised system generally to be made available to Buyer pursuant to the Franchise Agreement(s), as hereinafter defined), furniture, fixtures and all other tangible personal property owned by either Seller and located in the Stores, including, without limitation, the personal property listed on Schedule 1(a)(i) of the Disclosure Schedules (as defined in Section 6 of this Agreement) by Sellers and also

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including (to the extent assignable) all warranties and guaranties, express or implied, relating thereto;

(ii) Sellers' right, title and interest in and to the Leased Real Property (as defined in Section 6(f) hereof) for the Stores pursuant to and as more fully described in the Leases (as defined in Section 6(f) hereof). As of the Closing Date, Sellers shall have obtained all of the required Third Party Consents (as defined in Section 6(k)(2) of this Agreement) to validly assign and transfer the Leases for the Leased Real Property to Buyer;

(iii) all licenses, permits or franchises listed on Schedule 1(a)(iii) of the Disclosure Schedules which are all of the licenses, permits or franchises necessary to operate the Stores and Business as presently conducted issued by any Governmental Entity (as defined below) to either Seller and relating to the operations of the Business (collectively, the "Licenses") to the extent they are transferable (for purposes of this Agreement, "Governmental Entity" means any court, arbitrational tribunal, administrative agency or commission or other governmental or regulatory authority or agency). As of the Closing Date, Sellers shall have received the required Third Party Consents necessary to assign and validly transfer the Licenses to Buyer, except where the failure to obtain such Third Party Consent would not have a Business Material Adverse Effect;

(iv) the rights under all contracts or agreements to which either Seller is a party listed in Schedule 6(g) of the Disclosure Schedules and which are designated as Assigned Contracts (as defined in Section 6(g) hereof) which are all of the contracts or agreements necessary to operate the Stores and Business as presently conducted. As of the Closing Date, Sellers shall have received the required Third Party Consents necessary to assign and validly transfer the Assigned Contracts to Buyer, except where the failure to obtain such consent would not have a Business Material Adverse Effect;

(v) all telephone and facsimile numbers;

(vi) all Stores' inventory (including all materials and supplies), uniforms, signs, advertising and marketing materials located in the Stores and listed in Schedule 1(a)(vi) of the Disclosure Schedules which inventory is in such amount, quality and

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specifications required to operate the Stores in compliance with all Papa John's current specifications and standards (but excluding Sellers' respective proprietary rights in trademarks, tradenames, trade dress, copyrights or other intellectual property, the use of which by Buyer following the Closing are to be governed by the Franchise Agreement(s));

(vii) cash of \$500 per Store to be in the drawers on the Closing Date ("Till Cash") which Till Cash is the amount of cash currently on hand in each Store and is an amount sufficient to operate the Stores and the Business as presently conducted; and

(viii) all prepaid expenses, deposits, claims for refunds after the Closing Date and rights to offset associated with the Acquired Assets or the Business; and

(ix) Sellers' respective rights, claims, causes of action and defenses arising under or pursuant to the Leases, the Licenses and the Assigned Contracts, or relating to the Leased Real Property (or the Fee Properties), in each case relating to or connected with any party's performance or non-performance thereof or any other event, circumstance, action or omission occurring thereunder or thereon at any time prior to the Closing, including without limitation, arising out of any breach, default or actionable misconduct by any other party to the Leases, the Licenses or the Assigned Contracts prior to the Closing.

This Agreement shall not constitute an agreement or attempted agreement to transfer, sublease, sublicense or assign any privilege, right or interest in any Lease, License or Assigned Contract or any claim, right or benefit arising thereunder or resulting therefrom, if an attempted assignment thereof without the required Third Party Consent would constitute a breach or violation thereof or affect adversely the rights of Sellers or Buyer thereunder. If a Third Party Consent which is required in order to assign any interest is not obtained prior to the Closing Date, or if an attempted assignment would be ineffective or would adversely affect the ability of Sellers to convey their interest to Buyer, Sellers shall cooperate with Buyer in any lawful arrangement to provide that Buyer shall receive Sellers' entire interest in the benefits under any such Lease as provided in Section 8(d), License or Assigned Contract, including, without limitation, enforcement for the benefit of Buyer of any and all rights of Sellers against any other party thereto arising out of the breach or cancellation thereof by such party or otherwise; provided, however, that if Buyer is unable to receive the benefit of any Lease via assignment, sublease or otherwise as provided above, such Lease will be excluded from the

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Acquired Assets and Buyer shall have nine (9) months to designate an alternate site within the same trade area as a replacement ("Replacement Store"). Subject to it meeting Papa John's standard criteria, Sellers shall at Sellers' expense cause the necessary leasehold improvements to be constructed in the Replacement Store and Buyer may transfer, at Sellers' sole cost and expense, the equipment and signage from the prior site. Sellers shall also pay \$10,000 to Buyer not less than 20 days prior to the scheduled opening date of the Replacement Store. Notwithstanding the foregoing, the transfer of the Acquired Assets pursuant to this Agreement shall not include the assumption of any liability or encumbrance in respect thereof other than as set forth in this Agreement.

(b) **Excluded Assets.** Notwithstanding anything listed above, the following assets are expressly excluded from the definition of Acquired Assets:

(i) all intellectual property rights in and to the software developed by or at the direction of Sellers, including the PROFIT system, OARS, Tool Kit;

(ii) all assets and rights, tangible and intangible, real, personal and mixed of Sellers not expressly listed in Subsection (a) above;

(iii) all cash (except Till Cash in the amounts described in subclause (a)(vii) above) and receivables due in the ordinary course of business (including from credit cards) prior to the Closing Date;

(iv) Subject to the "Cross Option Agreement" substantially in the form attached hereto as **Exhibit I** (the "Cross Option Agreement"), the real property for the eight land parcels owned by Sellers and described (as to tax lot and block number, and metes and bounds) on **Exhibit B** hereto (the "Land") together with Sellers' respective interests (if any) in (A) any strips and gores adjacent to the Land and any land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Land, adjacent to or adjoining the Land, to the center line thereof and (B) any easements, rights, privileges and appurtenances belonging or in any way pertaining to the Land and (C) all improvements on or pertaining to the Land (each parcel of the Land, together with all of the foregoing being herein referred to as a "Fee Property" and all parcels collectively as the "Fee Properties");

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(v) the lease rights and leasehold improvements for the following locations which the Parties agree shall continue to be operated as Papa John's restaurants pursuant to a separate Contingent Store Agreement between Sellers and Buyer in the form of **Exhibit C** (the "Contingent Store Agreement") to be executed on the Closing Date (hereinafter the "Contingent Stores"):

- (a) Store No. 993, 8065 Brooklyn Blvd, Brooklyn Park, MN 55445
- (b) Store No. 1041, 4250 Colfax, Denver, CO 80204
- (c) Store No. 1053, 1100 Ken Pratt Blvd, Longmont, CO 80501
- (d) Store No. 1372, 7973 Wedgewood Lane N, Maple Grove, MN 55369
- (e) Store No. 1459, 5609 N. Academy Blvd, Colorado Springs, CO 80918
- (f) Store No. 2083, 11456 Market Place Drive N, Champlin, MN 55316
- (g) Store No. 2702, 17121 South Golden Road, Golden, CO 80401
- (h) Store No. 2708, 7280 Lagae Road, Castle Rock, CO 80108
- (i) Store No. 2709, 5135 Chambers Road, Denver, CO 80239; and

(vi) the lease rights for Store No. 1480, 1148 W. Dillon Road, Louisville, CO 80027.

2. **Assumed Liabilities.** Sellers shall transfer the Acquired Assets to Buyer on the Closing Date free and clear of all Security Interests and Buyer shall not, by virtue of its purchase of the Acquired Assets, assume or become responsible for any debts, liabilities, obligations or encumbrances of Sellers or of any other person relating to the Acquired Assets, incurred prior to the Closing Date. The only debts, liabilities, obligations or encumbrances of any nature of Sellers being assumed by Buyer (the "Assumed Liabilities") are (a) the obligations of Sellers under the terms of the Leases, Licenses and Assigned Contracts arising after the Closing Date in the ordinary course provided, that such Leases, Licenses and Assigned Contracts have been assigned and validly transferred to Buyer, (b) the obligations of Sellers for telephone listings for the Stores arising after the Closing Date, and (c) the prorated share of personal and real property taxes for the Leased Properties and Fee Properties for periods after the Closing

Date, or for periods after the Fee Property Closing Date with respect to the Fee Properties purchased pursuant to the Cross Option Agreement, except to the extent any such taxes have previously been pre-paid by Sellers.

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All other liabilities of Sellers or related to the Stores or the Business (whether known or unknown) shall remain obligations of Sellers (the "Excluded Liabilities"). Except for the Assumed Liabilities, Buyer shall not assume or be liable for, and does not undertake to attempt to, assume or discharge, any Security Interest or any other payment obligation, performance obligation, contingency or liability, whether fixed, contingent, liquidated, unliquidated, matured, unmatured, asserted or unasserted, of either Seller whether or not relating to the Stores or the Business including, without limitation, Sellers' liabilities with respect to:

- (i) any obligation for borrowed money or any debt of any kind now or hereafter;
- (ii) any obligation arising out of or relating to the operation of the Stores or the Business other than the Assumed Liabilities;
- (iii) any obligation under any Lease, License (including license transfer fees arising from the transactions contemplated hereby) or Assigned Contract assumed by Buyer which arises after the Closing Date but which arises out of or relates to any action or inaction of Sellers occurring prior to the Closing Date or to Sellers breach of any Lease, License or Assigned Contract prior to the Closing Date;
- (iv) any obligation for Taxes (as defined below) for periods ending prior to the Closing Date whether or not due as of the Closing Date (or with respect to the Fee Properties for periods ending on the Fee Property Closing Date whether or not due as of the Fee Property Closing Date for the Fee Properties), including (i) any Taxes arising as a result of Sellers' operation of the Stores, the Business or ownership of the Acquired Assets or Fee Properties, (ii) any Taxes that will arise as a result of the sale of the Acquired Assets pursuant to this Agreement or the Fee Properties pursuant to the Cross Option Agreement that are attributed to Sellers and (iii) any deferred Taxes of any nature. For purposes of this Agreement, "Taxes" means all taxes however denominated imposed by any federal, state, local or foreign government or any agency or political subdivision of any such government, including all net income, alternative or add-on minimum taxes, gross income, gross receipts, sales, use, goods and services, capital, production, transfer, ad valorem, earnings, franchise, profits, license,

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withholding (including all obligations to withhold or collect for Taxes imposed on others), payroll, disability, employer health, employment, excise, estimated, severance, stamp, occupation, premium, property, environmental, excess profit or windfall profit taxes, custom duty, value added or other taxes, governmental fees or other like assessments or charges of any kind whatsoever, together with any interest and any penalties or additions to tax;

- (v) any obligation to any current or former employees including, without limitation, payroll, vacation, sick leave, worker's compensation, unemployment benefits, pension benefits, employee stock option or profit-sharing plans, health care plans or benefits, or any other employee plans or benefits of any kind;
- (vi) any employment, severance, retention, termination or similar agreement with any current or former employee of Sellers, any obligation of Sellers to indemnify, reimburse or advance amounts to any officer, director, employee or agent of such Seller, or to any third party or otherwise;
- (vii) any obligation for Sellers' accounts payable related to the Stores or the Business prior to the Closing Date;
- (viii) any obligation for trade accounts payable prior to the Closing Date;
- (ix) any obligation to distribute to any of Sellers' stockholders or otherwise apply all or any part of the consideration received hereunder;
- (x) any obligation arising out of any legal proceeding finally adjudicated, pending or threatened as of the Closing Date, whether or not set forth in the Disclosure Schedules;
- (xi) any obligation arising out of any legal proceeding commenced after the Closing Date and arising out of, or relating to, any occurrence or event happening prior to the Closing Date;
- (xii) any obligation arising out of or resulting from Sellers' non-compliance with any legal requirement or order of any Governmental Entity;

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- (xiii) any obligation under this Agreement or any other document executed in connection with the transactions contemplated hereby;
- (xiv) any obligation based upon Sellers' acts or omissions occurring after the Closing Date; or
- (xv) any obligation for insurance claims arising out of or that relate to any act, omission, occurrence or event happening prior to the Closing Date, regardless when such claim is made.

3. **Purchase Price; Deposit.**

- (a) **Purchase Price.** The purchase price to be delivered by Buyer to Sellers for the Acquired Assets shall be \$6,473,000 (the "Purchase Price"). The Purchase Price shall consist of (i) the Deposit (as defined in Section 3(b)); and (ii) \$6,223,000 in cash (the "Closing Date Cash Payment").
- (b) **Deposit.** Buyer shall tender to Sellers an earnest-money deposit of \$250,000 upon execution of this Agreement ("Deposit"). Such Deposit shall be credited against the Purchase Price. In the event the transactions contemplated by this Agreement do not close in accordance with the terms hereof, the Deposit shall be refunded to Buyer only if the failure to close is due to (a) a decision by Sellers to not proceed for any reason other than a breach or default by Buyer under this Agreement, or (b) Sellers' noncompliance, breach or default under this Agreement or any of the Ancillary Agreements or (c) Sellers' failure to meet the applicable conditions precedent to Closing or to fulfill Sellers' deliveries and actions at Closing, as provided in Section 9 or Section 10, as applicable.

4. **Allocation of Purchase Price.** The Purchase Price shall be allocated in accordance with Schedule 4.1 attached hereto. The Parties shall prepare for filing all returns, declarations, reports, estimates, information returns and statements required to be filed or sent by such Party to any applicable taxing authority with respect to the

other Party, for the purpose of preparing such returns, with such information and other documents filed by such other Party as each may reasonably require within 60 days of the Allocation Date.

5. (a) **Closing.** The closing of the transactions contemplated herein (the "Closing") shall occur on September 26, 2005, or at such other date and time as the Parties mutually agree subject to the satisfaction or waiver of the conditions precedent set forth in Section 9. The date on which the Closing shall occur is referred to in this Agreement as the "Closing Date". Title and risk of loss to the Acquired Assets (other than the Fee Properties) shall pass to Buyer effective as of 12:01 a.m. on the Closing Date, regardless of the actual time of the Closing (the "Effective Time"). The title and risk of loss to a Fee Property shall transfer to Buyer, or its assignee, effective as of 3:00 a.m. the day of the transfer of the Fee Properties to Buyer in accordance with the Cross Option Agreement and the Special Warranty Deed ("Fee Property Closing Date"). Possession of and title to the Acquired Assets and the premises of the Stores, including the Leased Properties, the Fee Properties, all keys thereto, and the combinations to any safes, shall be delivered to Buyer at the time the actual Closing is conducted. The Closing shall be conducted by courier exchange of executed closing documents, or in such other manner as the Parties mutually agree. At the Closing or, where noted, the Fee Property Closing Date:

- (i) Sellers shall cause to be delivered to Buyer the certificate required to be delivered under Section 9(a)(iv);
- (ii) Buyer shall cause to be delivered to Sellers the certificate required to be delivered under Section 9(b)(iv);
- (iii) the relevant Seller(s) shall execute and deliver a Bill of Sale and Assignment in the form attached as **Exhibit D**;

(iv) on the Fee Property Closing Date, the relevant Seller(s) shall execute Special Warranty Deeds in the form attached to the Cross Option Agreement ("Special Warranty Deeds");

(v) Buyer and Sellers shall execute and deliver the Accounting Services Agreement in the form attached hereto as **Exhibit H** (the "Accounting Services Agreement") and the Contingent Store Agreement;

(vi) on the Closing Date and/or the Fee Property Closing Date, as applicable, the relevant Seller(s) and Buyer shall execute and deliver such other instruments of conveyance as the others may reasonably request in order to effect the sale, transfer, conveyance and assignment to Buyer of title to the Acquired Assets and the Fee Properties in the manner contemplated in this Agreement and the Cross Option Agreement;

(vii) the relevant Seller(s) shall execute and deliver to Buyer an Assignment and Assumption Agreement providing for the transfer of the Leases, Licenses and Assigned Contracts in the form attached hereto as **Exhibit J** (the "Assignment Agreement").

(viii) Sellers shall supply the Assignment Consent and Estoppel Certificate in the form annexed hereto as **Exhibit E** (the "Landlord Consent and Estoppel Certificate"), duly signed by the landlord under each of the Leases (with such changes to that form as shall have been approved by the Parties hereto); and evidencing said landlord's consent to the assignment of its Lease by Sellers to Buyer (or an alternate arrangement as provided in Section 8(d) or as set forth in the last paragraph of Section 1(a));

(ix) Buyer and Sellers shall enter into "Leases" (as defined below) for each of the Fee Properties;

(x) Buyer and Sellers shall enter into the Cross Option Agreement;

(xi) Buyer and the relevant Seller(s) shall execute and deliver such other instruments as Sellers may reasonably request in order to effect the assumption by Buyer of the Assumed Liabilities;

(xii) Sellers shall deliver to Buyer, or otherwise put Buyer in possession and control of, all of the Acquired Assets of a tangible nature owned by Sellers; and

(xiii) Buyer and Papa John's shall execute and deliver the Development Agreement in the form attached hereto as **Exhibit F** (the "Development Agreement"), the Franchise Agreement(s) for each Store in the form attached hereto as **Exhibit G** and as contemplated in Section 8(h) (the "Franchise Agreement") and the letter agreement of changes to the Development Agreement and the Franchise Agreement in the form attached hereto as **Exhibit K** (the "Letter Agreement").

The agreements and instruments referred to in clauses (iii) through (xiii) above, together with any other documents or instruments executed and delivered pursuant hereto, are referred to herein as the "Ancillary Agreements."

(b) **Further Assurances.** At any time and from time to time, whether before or after the Closing Date, as and when requested by any Party hereto and at such Party's expense, the other Party or Parties shall promptly execute and deliver, or cause to be executed and delivered, all such documents, instruments and certificates and shall take, or cause to be taken, all such further or other actions as are necessary to evidence and effectuate the transactions contemplated by this Agreement and the Ancillary Agreements.

6. **Representations and Warranties of Sellers.** Sellers jointly and severally represent and warrant to Buyer that on the date hereof and as of the Closing Date or Fee Property Closing Date, as applicable, except as set forth in the section of the written disclosure schedules delivered on or prior to the date hereof by Sellers (the "Disclosure Schedules") corresponding to each representation and warranty made hereunder by Sellers (for purposes of this Section 6, the phrase "to the knowledge of Sellers" (or words of similar import) shall mean the actual knowledge of Sellers' respective executive officers after due inquiry).

(a) **Organization, Qualification and Corporate Power.** PJUSA and Papa John's are corporations duly organized, validly existing and in good standing under the laws of the Commonwealth of Kentucky and the State of Delaware, respectively, and each is duly qualified to conduct business under the laws of each

leased and used by it. Sellers' are not in violation of any provisions of its or their charter documents or bylaws.

(b) **Authority.** Sellers have all requisite corporate power and authority to execute and deliver this Agreement and the Ancillary Agreements to which it will be a party and to perform its or their obligations hereunder and thereunder, including, without limitation, to sell and transfer the Acquired Assets pursuant to this Agreement and the Ancillary Agreements. The execution and delivery by Sellers of this Agreement and such Ancillary Agreements and the consummation by Sellers of the transactions contemplated hereby and thereby have been validly authorized by all necessary corporate action on the part of Sellers. This Agreement has been, and such Ancillary Agreements will be, validly executed and delivered by Sellers and constitutes or will constitute a valid and binding obligation of Sellers, enforceable against them in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar laws relating to or affecting the rights of creditors generally and by equitable principles (including for purposes of such exception those limiting the availability of specific performance, injunctive relief and other equitable remedies and those providing for equitable defenses).

(c) **Financial Statements.** Schedule 6(c) of the Disclosure Schedule includes copies of the unaudited statement of income and expenses of the Stores as of and for the 12-month period ended December 26, 2004 and the year-to-date period ended July 24, 2005 (collectively, the "Financial Statements"). Not less than three (3) days before the Closing Date, Seller shall also deliver the unaudited statements of income for the year-to-date period ended August 21, 2005, which shall be deemed part of the Financial Statements. The Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles consistently applied throughout the periods to which they relate and fairly present, in all material respects, the combined results of operations of the Business for the periods referred to therein. Since December 31, 2004, (1) there have not been any material changes in the financial condition, assets (including the Acquired Assets) or the results of operations of the Business that would have a Business Material Adverse Effect (as defined in Section 9(a)(x)) and (2) the Business has been operated in the ordinary course in a manner consistent with past practice. As of the Closing Date, or as of the Fee Property Closing Date with respect to the Fee Properties, Sellers shall have satisfied all indebtedness and all liabilities related to the

(1) Acquired Assets, and the Business, other than the Assumed Liabilities, and (2) the Fee Properties.

(d) **Undisclosed Liabilities/Net Assumed Liabilities.** There is no circumstance, condition, event or arrangement that would reasonably be expected to give rise hereafter to any material liabilities of Sellers that would adversely affect the ability of Sellers to convey good, valid, exclusive and marketable title to the Acquired Assets in the manner contemplated in this Agreement or the Fee Properties, except those that may be incurred in the ordinary course of business and which have been disclosed to Buyer.

(e) **Title to Assets; Suitability of Tangible Property.** Sellers are the sole owner of the Acquired Assets (and the Fee Properties). All of the representations and warranties set forth in the Cross Option Agreement with respect to the title and condition of the Fee Properties and with respect to environmental matters are incorporated herein by this reference as if they were set forth in full herein. Sellers have good, valid, exclusive and marketable title to, a valid leasehold interest in or a valid license or right to use, such Acquired Assets, free and clear of all Security Interests. The tangible Acquired Assets are in good repair and operating condition and are suitable to conduct the operation of the Stores and business related thereto substantially in the same manner in which the Business has been conducted prior to the date hereof and the Closing Date. Upon consummation of the transactions contemplated hereby, Buyer will have acquired good, valid, exclusive and marketable title to the Acquired Assets free and clear of all Security Interests and upon consummation of the Fee Properties purchase in accordance with the Cross Option Agreement, Buyer will have acquired good, valid, exclusive and marketable title to the Fee Properties free and clear of all Security Interests and Defects of Title (as defined in the Cross Option Agreement).

(f) **Leased Real Property.**

(1) **Schedule 6(f)(1)** of the Disclosure Schedules describes the leased real property included in the Acquired Assets (the "Leased Real Property") and each lease in effect with respect thereto (the "Leases"). **Schedule 6(f)(1)** of the Disclosure Schedules lists all of the Leases for the Stores and the information set forth thereon accurately summarizes the terms and conditions currently in effect for all such Leases. With respect to each of the Leases (a true, complete and accurate copy of which has been provided to Buyer):

(i) it is a valid and binding obligation of Sellers and, to the knowledge of Sellers, each other party to such Lease, enforceable and in full force and effect;

(ii) neither Sellers nor, to the knowledge of Sellers, any other party to the Lease is in breach or default thereof, and to Sellers' knowledge no event has occurred which, with notice or lapse of time or both, would constitute a breach or default or permit termination, modification or acceleration thereunder, and no written claim and, to Sellers' knowledge, no oral claim has been made by any other party to such Lease alleging that Sellers are in breach of default thereunder;

(iii) Sellers have not assigned, transferred, conveyed, mortgaged, deeded in trust or encumbered any interest in the leasehold or subleasehold of such Lease;

(iv) There is no Security Interest, easement, covenant or other restriction applicable to the Leased Real Property subject to such Lease, except for such as have been created by the terms of the Lease and except for recorded easements, covenants and other restrictions which do not materially impair the current uses or the occupancy of Sellers of such Leased Real Property;

(v) There are no outstanding or threatened requirements by any insurance company that has issued an insurance policy covering the Leased Real Property, or by any board of fire underwriters or other body exercising similar functions, requiring any repairs or alterations to be done on the Leased Real Property;

(vi) To Sellers knowledge, there are no Hazardous Materials (as defined in the Cross Option Agreement) on or under the Leased Real Property and Sellers have not deposited any Hazardous Materials on or under the Leased Real Property nor have Sellers transported to or from the Leased Real Property or used, generated, manufactured, stored or disposed of any Hazardous Materials on or under the Leased Real Property; and

(vii) Sellers have obtained, or will obtain prior to the Closing Date, all material required consents to assign and validly transfer the Leases to Buyer.

As used in this Agreement, “Affiliate” means, with respect to a Party, any legal entity controlling, controlled by or under common control with such Party. For purposes of this definition, “control” means the legal, beneficial or equitable ownership, directly or indirectly of: at least 50% of the aggregate of all voting interests in such entity or at least 35% of the aggregate of all voting interest of such entity combined with management control of such entity.

(g) **Assigned Contracts.** Schedule 6(g) of the Disclosure Schedules lists all of the contracts or agreements (other than the Leases), whether written or oral, to which Sellers are a party or by which it is bound as of the date of this Agreement relating to a Store or to the Business which are being assigned to and assumed by Buyer as part of the Acquired Assets hereunder (the “Assigned Contracts”), and identifies all prepaid deposits under Assigned Contracts, including deposits delivered or held as security or in escrow. Sellers have made available to Buyer a true, complete and accurate copy of each contract and agreement listed in Schedule 6(g) of the Disclosure Schedules. The Assigned Contracts are all of the material contracts and agreements that are necessary to operate the Stores and the Business as presently conducted. Each Assigned Contract is a valid and binding obligation of Sellers and, to the knowledge of Sellers, of each other party thereto, in full force and effect. Neither Sellers nor, to the knowledge of Sellers, any other party to an Assigned Contract is in breach or default and to the knowledge of Sellers no event has occurred which, with notice or lapse of time or both, would constitute a breach or default or permit termination, modification or acceleration thereunder. No written claim and, to the knowledge of Sellers, no oral claim has been made by any other party to any Assigned Contract alleging that Sellers are in breach or default thereunder. Sellers have no knowledge that any other party intends to terminate or not renew any Assigned Contract. Schedule 6(g) of the Disclosure Schedules lists each Assigned Contract

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that cannot be assigned or transferred by Sellers without the prior consent of the other party thereto. Sellers have obtained, or will obtain prior to the Closing Date, all material required consents to assign and validly transfer the Assigned Contracts to Buyer. Other than as set forth on Schedule 6(g) of the Disclosure Schedules, Sellers do not lease any equipment or others assets located at any of the Stores.

(h) **Litigation.** Schedule 6(h) of the Disclosure Schedules lists each (a) judgment, order, decree, stipulation or injunction of any third party or Governmental Entity with respect to this Agreement, the Business or any of the Acquired Assets (b) action, suit, claim, legal, administrative, arbitratorial or other proceeding or investigation pending or, to the knowledge of Sellers, threatened by any third party or by or before any Governmental Entity relating to (i) this Agreement or the consummation of the transactions contemplated hereby, (ii) the Business or (iii) any of Sellers’ assets or properties relating to the Business, including, without limitation, the Acquired Assets.

(i) **Legal Compliance.** To the knowledge of Sellers, Sellers are in compliance in all material respects with all laws applicable to the Stores and the Business (including rules and regulations thereunder), including, without limitation, health, environmental and safety, of any federal, state, local or foreign government, or any Governmental Entity, except for such non-compliance as would not have a Business Material Adverse Effect as defined in Section 9(a)(x). Sellers have not received written notice of any pending and, to the knowledge of Sellers, there is no threatened, action, suit, proceeding, hearing, investigation, claim, demand or notice relating to the Stores or the Business alleging any failure to so comply.

(j) **Brokers’ Fees.** Sellers do not have any liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement that would constitute an Assumed Liability or for which Buyer could become liable or obligated.

(k) **Noncontravention.** Neither the execution and delivery by Sellers of this Agreement or the Ancillary Agreements to which Sellers will be a party, nor the consummation by Sellers of the transactions contemplated hereby or thereby, will:

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(1) conflict with or violate any provision of the charter or bylaws of Sellers;

(2) require on the part of Sellers or any permit, authorization, consent or approval of, any third party or Governmental Entity, except for the consents set forth in Schedule 6(k) of the Disclosure Schedules (the consents so set forth in Schedule 6(k) of the Disclosure Schedules being herein sometimes referred to collectively as the “Third Party Consents”);

(3) conflict with, result in a breach of, constitute (with or without due notice or lapse of time or both) a default under, create in any party the right to terminate or modify, or require any notice, consent or waiver under, any contract, lease, sublease, license, sublicense, franchise, permit, indenture, agreement or mortgage, instrument of indebtedness or Security Interest to which Sellers are a party or by which Sellers are bound and which will have a Business Material Adverse Effect, except for the Third Party Consents; or

(4) violate any judgment, order, writ, stipulation, injunction, decree or statute, rule or regulation applicable to Sellers, the Fee Properties or the Acquired Assets.

(l) **Tax Returns; Tax Elections.** With respect to the Business, the Acquired Assets and the Fee Properties, and except as set forth on Schedule 6(l) of the Disclosure Schedules (regardless if scheduled herein, all Taxes for pre-Closing Date periods (or pre-Fee Property Closing Date periods with respect to the Fee Properties) shall remain a liability of Sellers):

(i) Sellers have prepared, signed and filed all federal, state and other tax returns and reports required to be filed by all applicable laws and regulations (“Tax Returns”) on or before the date hereof and as of the Closing Date (or the Fee Property Closing Date with respect to the Fee Properties), and has timely paid all Taxes or installments thereof, interest, penalties, assessments and deficiencies of every kind and nature whatsoever which were due and owing on such Tax Returns or which were or are otherwise due and owing under all applicable laws and regulations for any periods for which Tax Returns were due, whether or not reflected on such Tax Returns and whether or not relating to the income of Sellers. All such Tax Returns accurately and correctly reflect the Taxes of Sellers for the periods covered thereby

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and are complete in all material respects. All Taxes owed by Sellers, or for which Sellers may be liable (whether or not shown on any Tax return), have been or will be timely paid. Sellers are not currently the beneficiaries of any extension of time within which to file any Tax Return. No claim has ever been made by an authority in a jurisdiction where Sellers do not file Tax Returns that it is or may be subject to taxation by that jurisdiction. Except as set forth on Schedule 6(l) of the Disclosure Schedules, (A) there are no actions, suits, proceedings or claims now pending against Sellers relating to any Taxes or assessments, or any claims or deficiencies with respect thereto; (B) there are no pending investigations involving, or threatened actions, suits, proceeding or claims against, Sellers with respect to any Taxes or assessments or any claims or deficiencies with respect thereto; and (C) Sellers are not engaging in any discussions with the Internal Revenue Service or other Governmental Entity relating to any Taxes or assessments or any claims or deficiencies with respect thereto.

(ii) Sellers have withheld proper and accurate amounts from their employees, independent contractors or other persons in full and complete compliance with the tax withholding provisions of the Internal Revenue Code of 1986, as amended (the "Code") and other applicable federal, foreign, state or local laws, and has filed proper and accurate federal, foreign, state and local returns and reports for all years and periods (and portions thereof) for which any such returns and reports were due with respect to payroll, employee income, income tax withholding, withholding taxes, social security taxes, unemployment taxes and other similar taxes. All payments due from Sellers on account of employee income tax withholding, withholding taxes, payroll taxes, social security taxes, unemployment taxes or other similar taxes and amounts owed for workers' compensation in respect of years and periods (and portions thereof) ended on or prior to the Closing Date were timely paid prior to such date or shall be timely paid hereafter by Sellers.

(iii) Any liability for Taxes of any nature or kind relating the Stores, the Business, any of the Acquired Assets, the Fee Properties or otherwise required to be paid by Sellers and which are due or payable for periods prior to the Closing Date (or prior to the Fee Property Closing Date, as applicable) have been or shall be paid by Sellers and Buyer shall have no liability with respect to any such Taxes.

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(m) **Insurance.** Sellers have self-insured programs, policies of insurance and bonds insuring the Acquired Assets against the risks involved in the conduct of the Business and the ownership of the Acquired Assets which are appropriate as to the types, amounts of coverages and deductibles for a corporation with the revenues and assets of Sellers. Each such insurance program or policy is valid and binding and in full force and effect, no premiums due thereunder have not been paid and Sellers have not received any written notice of cancellation or termination in respect of any such policy and is not in default thereunder in any material respect. Any claims that occur prior to the Closing Date but that are not reported until post-Closing shall be covered by Sellers' insurance or by Sellers as an Excluded Liability.

(n) **Affiliate Transactions.** Except as set forth in the "Offering Circular" (as defined in Section 7(c)) or as contemplated hereby, no officer, director, Affiliate or related party of either Seller or any associate of any such officer, director or Affiliate provides or causes to be provided any assets, services or facilities used in connection with the Business which individually or in the aggregate would have a Business Material Adverse Effect.

(o) **Employment Matters.**

(i) Sellers have been and are in full compliance with all applicable Laws governing and/or relating to employment of their employees primarily engaged in the Business (the "Business Employees"), including, but not limited to, laws pertaining to wages, hours, collective bargaining agreements, employment discrimination, and payment of withholding and unemployment taxes (collectively, "Employment Laws"). Sellers have been and are in full compliance with respect to all laws governing and/or relating to association with sales representatives and other independent contractors primarily providing services to the Stores or in connection with the operation of the Business (the "Business Contractors"). After Closing, Buyer will not be obligated to continue to employ any of the Business Employees, or make any payment or provide any benefits to any such employee on account of services rendered prior to Closing. After Closing, Purchaser will not be obligated to continue any association or relationship with any of the Business Contractors.

(ii) None of the Business Employees is represented by any labor union or similar organization. Sellers are not a party to or bound by any collective bargaining

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agreement covering the Business. No labor union or employee association has been certified or recognized as the collective bargaining representative of any of the Business Employees. To the knowledge of Sellers, there is no union organizational campaign or representation proceeding underway or threatened with respect to the Business Employees, and there is no existing or, to the knowledge of Sellers, threatened labor strike, work stoppage, slow down, grievance, unfair labor practice charge or labor arbitration proceeding related to or affecting the Business which may interfere with the operations of the Business by Buyer. There is no existing or, to the knowledge of Sellers, threatened legal action or proceeding against Sellers with respect to the Business or regarding a violation of any Employment Laws by any Business Employee or Business Contractor.

(iii) **Severance.** The consummation of the transactions contemplated by this Agreement will not result in any of the following with respect to any Business Employee or Business Contractor for which Buyer will be liable: (a) severance pay; (b) acceleration of the time of payment or vesting of, increase the amount of, or satisfy a condition to the compensation due to any Business Employee or Business Contractor; or (c) result in any similar payment (including parachute payments) except as set forth on Schedule 6(o) of the Disclosure Schedules for which Buyer shall have no obligation. Sellers have paid or will pay in accordance with its customary payroll practices all pre-Closing Date compensation due to any Business Employees or Business Contractor, including all employee vacation obligations.

(iv) **WARN.** The transactions contemplated by this Agreement will not require any notice under the Worker Adjustment and Retaining Notification Act.

(v) **Resignations.** No Business Employee has provided notice to Sellers of his/her intention to terminate his/her relationship with Sellers prior to the Closing or to decline employment with Buyer if offered. Sellers have no knowledge of any plan of any such employee to do so.

(vi) **COBRA.** Contemporaneously with Closing, Sellers shall be obligated to provide, and shall at Closing or promptly thereafter provide, to all Business Employees all benefits accrued through the Closing Date. Sellers shall also provide all "M&A Qualified Beneficiaries" (as such term is defined by 26 C.F.R. 54.4980B-9, Question 4) timely notice of Consolidated Omnibus Budget Reconciliation Act ("COBRA") rights (including, but

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not limited to, a Coverage Election Notice), and shall provide to all such persons all rights under COBRA pursuant to the group health plan(s) that Sellers have in place prior to the Closing Date or may thereafter put in place. Sellers shall maintain such group health plan(s) following Closing for the full time necessary to provide each such person with full COBRA coverage for the maximum period such coverage would be available to each such Person under COBRA provided Sellers maintain such group health plan(s). The transactions contemplated under this Agreement shall not subject Buyer to any Liabilities under COBRA with respect to any person employed by Sellers, or any dependent of such person, other than retained employees and their dependents.

(p) **Benefit Plans.**

(i) Except as listed in Schedule 6(p) of the Disclosure Schedules, neither Sellers, any Affiliate of Sellers nor any trade or business (whether or not incorporated) which is treated as a single employer with Sellers (each, an “ERISA Affiliate”) have ever participated in a multi-employer plan. Neither Sellers nor any ERISA Affiliate is delinquent in any contributions to any multi-employer plan.

(ii) All employee Benefit Plans of Sellers (as defined below) that are intended to be qualified under Section 401(a) of the Code have a current and valid determination letter from the Internal Revenue Service. All Benefit Plans that are intended to be qualified under Section 401(a) of the Code have been timely amended for any subsequent statutory or regulatory changes. Any Benefit Plan that is intended to be qualified under Section 401(a) of the Code has been operated in compliance with its plan documents and, if applicable, the Employee Retirement Income Security Act (“ERISA”) and the Code. Sellers shall be solely responsible for all obligations for any Benefit Plans. “Benefit Plan” means any plan established by Sellers, or any predecessor or Affiliate of Sellers, existing at the Closing Date or at any time within the five (5) year period prior thereto, to which Sellers contribute or have contributed on behalf of any current or former employee or director, or under which any employee, former employee or director of Sellers or any beneficiary thereof is covered, is eligible for coverage or has benefit rights.

(q) **Disclosure.** No information in this Agreement, Ancillary Agreement or in any Schedule attached to this Agreement or any Ancillary Agreement, contains any untrue

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statement of a material fact or, when considered together with all such information delivered to Buyer, omits to state any material fact necessary in order to make the statements made not misleading.

EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT OR IN ANY ANCILLARY AGREEMENT, SELLERS MAKE NO REPRESENTATIONS OR WARRANTIES, WHETHER EXPRESSED OR IMPLIED, WITH RESPECT TO THE ACQUIRED ASSETS, THE STORES, THE BUSINESS, SELLERS OR OTHERWISE, AND HEREBY DISCLAIM ANY AND ALL SUCH OTHER REPRESENTATIONS AND WARRANTIES, INCLUDING WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

7. **Representations and Warranties of Buyer.** Buyer hereby represents and warrants to Sellers as follows:

(a) **Organization and Standing of Buyer.** Buyer is a corporation duly organized, validly existing and in good standing under the laws of Delaware. Buyer has full power and authority to own and lease its property in the conduct of its business.

(b) **Authorization; No Violations; Compliance with Law.** Buyer, and all other persons from whom consent is required, have duly approved the execution, delivery and performance of this Agreement. This Agreement has been duly executed and delivered by Buyer and constitutes the legal, valid and binding obligation of Buyer, enforceable in accordance with its terms, subject to the application of legal principles affecting the availability of equitable remedies. Buyer is in compliance with all laws, regulations, rules and orders necessary for Buyer’s acquisition of the Acquired Assets.

(c) **Disclosure.**

(i) Buyer has received, at least ten (10) business days prior to execution of this Agreement, the disclosure document entitled “Papa John’s Franchise Offering Circular” (the “Offering Circular”). Buyer and its counsel have read and understand the Offering Circular.

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(ii) Buyer acknowledges that additional working capital may be required to fund operation of the Stores. Sellers have made no representation to Buyer that the Stores will, or are likely to, earn a gross or net profit or generate positive cash flow at any time.

(iii) Buyer understands and agrees that Sellers make no representation or warranty regarding the markets or the profitability of operating Papa John’s restaurants and that no representations have been made by Sellers, or by any of their Affiliates, or their respective officers, directors, shareholders, employees or agents, that are contrary to or inconsistent with the terms of this Agreement, or with the statements made in the Offering Circular, or with the terms of the Franchise Agreement(s).

8. **Additional Covenants of the Parties.** The Parties further covenant and agree as follows:

(a) **Payment of Taxes.** Sellers shall pay all Taxes, including withholding and other employment taxes applicable to Sellers’ employees, that become due or that accrue before the Closing Date (or prior to the Fee Property Closing Date with respect to the Fee Properties), or that are due for periods prior to the Closing Date (or Fee Property Closing Date) but payable after the Closing Date or Fee Property Closing Date, as applicable. Sellers shall pay at the Closing (or the Fee Property Closing Date, as applicable) any sales, use, transfer or similar Taxes that may arise out of or result from the transactions consummated pursuant to this Agreement or the Ancillary Agreements. Buyer shall pay all Taxes arising or accruing with respect to the Acquired Assets or the Fee Properties that are due for periods after the Closing Date or Fee Property Closing Date, as applicable.

(b) **Excluded Liabilities.** Sellers shall promptly pay when due all of the Excluded Liabilities.

(c) **Assumed Liabilities.** Buyer shall promptly pay when due the Assumed Liabilities.

(d) **Assigned Leases.** Sellers shall, together with Buyer’s cooperation and assistance, obtain all required Third Party Consents for the Leases.

Notwithstanding any other

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provision in this Agreement, in the event one or more landlords under the Leases fails or refuses to execute a Landlord Consent and Estoppel Certificate of the type contemplated in Subsection 5(a)(viii) or such other documents (on terms satisfactory to the Parties) necessary to effect an assignment and assumption of any such Leases on the Closing Date as contemplated herein, then the Closing will proceed and Buyer and the relevant Sellers shall enter into a sublease (if permissible), a management agreement or another mutually satisfactory arrangement permitting Buyer to occupy the premises of each affected Store subject to the relevant Lease and to operate such Store with full responsibility and benefits for Store operations and the Acquired Assets with respect to such Store. Upon the Closing, and assuming such required Third Party Consent has not been obtained, the relevant Sellers of such Store will hold Buyer harmless with respect to any adverse action by the landlord for such Store under its respective Lease arising out of Sellers' failure to obtain that required Third Party Consent before permitting Buyer to occupy and use the relevant leased premises, and the Parties agree to continue to pursue such Landlord Consent and Estoppel Certificate or other such documents necessary to effect the assignment of such Lease. If the remedies contemplated by this Section 8(d) cannot be legally effected, then the remedies available in the last paragraph of Section 1(a) shall apply.

(e) **Rent; Expenses.** Sellers represent and warrant that they have paid or will as of the Closing have paid all amounts due under the Leases through the month in which the Closing takes place. All security deposits shall become the property of Buyer and remain in place. Buyer shall be responsible for and shall pay all amounts due under each of the Leases following the Closing, including all rents, CAM, taxes and insurance for periods after the Closing Date. Buyer has arranged, or will promptly arrange, for all utilities servicing the Stores following the Closing that are to be paid directly by the tenant to be billed to Buyer as soon as possible following the Closing. All utility deposits shall become the property of Buyer and remain in place. Sellers agree to pay all utility fees and expenses accruing prior to the Closing Date. If Sellers incur any additional utility expenses for periods on or after the Closing Date, Buyer shall reimburse Sellers within fifteen (15) days after an invoice is submitted for such amounts. If Buyer pays any amounts for rent or utilities relating to Sellers' occupancy of the Stores before the Closing Date, Sellers shall reimburse Buyer within fifteen (15) days after an invoice is submitted for such amounts, if not settled at Closing.

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(f) **Use of Telephone Numbers.** Effective as of the Closing, Sellers hereby grant to Buyer the right to use the telephone and fax numbers of the Stores as set forth in **Exhibit A** (the "Phone Numbers"). Sellers agree to execute appropriate forms of Authorization to Transfer Telephone Number with respect to the Phone Numbers and any other telephone numbers servicing the Stores as of the Closing Date, and to take such further actions and execute such additional documents as may be reasonably necessary or required to assist in the moving Phone Numbers and any such other telephone numbers to Buyer.

(g) **Development and Franchise Agreements.** At Closing, Papa John's and Buyer shall enter into a Development Agreement and a Franchise Agreement for each Store. Among other things, the Franchise Agreement shall contain provisions granting Buyer the right and license to (i) operate the Stores under the Papa John's system and (iii) to all trademarks and service marks necessary to operate the Business.

(h) **Accounting Services Agreement:** At Closing, PJUSA and Buyer shall enter into an Accounting Services Agreement, providing for PJUSA to provide Buyer with the identified accounting services for a 12 month period subsequent to Closing for a fee as specified in the Accounting Services Agreement. After the above 12 month period, Buyer shall offer Sellers the right to match any terms for accounting services received by Buyer from a third party for another 12 month period, but only this one additional 12 month period. Sellers shall have fifteen (15) days to match the terms of service of such third party after receipt of written notice from Buyer setting forth such proposed terms. If Sellers fail to match the proposed terms set forth in the notice, or fail to respond within the fifteen (15) day period noted above, Buyer shall have no obligation to utilize Sellers' accounting services and may retain the third party set forth in its notice. After the 24 month period subsequent to the Closing Date expires, Buyer shall have no further obligation of any nature to Sellers with respect to accounting services.

(i) **Cross Option Agreement.** At Closing, the Parties shall enter into the Cross Option Agreement.

(j) **Assignment and Assumption Agreement.** At the Closing the Parties shall have entered into the Assignment Agreement and Assumption Agreement.

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(k) **Closing Efforts.** Subject to the terms hereof, each of the Parties shall take all actions and to do all things reasonably necessary or advisable to consummate the transactions contemplated by this Agreement, including to: (i) obtain all required Third Party Consents; provided that Sellers hereby acknowledge and agree that it and they have the sole obligation to take all actions and do all things reasonably necessary or advisable to obtain the Third Party Consents to the assignment of the Assigned Contracts (ii) effect all registrations, filings and notices with or to Governmental Entities (the "Governmental Filings") and (iii) otherwise comply in all material respects with all applicable laws and regulations in connection with the consummation of the transactions contemplated by this Agreement. Each of the Parties shall promptly notify each of the other Parties of any fact, condition or event known to it that would reasonably be expected to prohibit, make unlawful or delay the consummation of the transactions contemplated by this Agreement.

(l) **Operation of Business.** Except as contemplated by this Agreement, during the period from the date of this Agreement until the Closing Date, Sellers shall (i) conduct the operations of the Business in the ordinary course consistent with past practice, (ii) use commercially reasonable efforts to preserve the Business intact, (iii) use commercially reasonable efforts to keep available the services of its employees and preserve its relationships with its customers, suppliers and others with whom it deals, and (iv) have in effect and maintain at all times its current policies of insurance. Except as contemplated by this Agreement, during the period from the date of this Agreement until the Closing Date or the Fee Property Closing Date with respect to the Fee Properties, Sellers shall refrain from: (i) other than transfers (including, acquisitions and dispositions of inventory and equipment and nonexclusive licenses of proprietary rights) on commercially reasonable terms in the ordinary course of business, acquiring or disposing of, or incurring any lien on, any Acquired Assets or the Fee Properties; (ii) entering into, amending, modifying, terminating (partially or completely), granting any waiver under or giving any consent with respect to any Assigned Contract; (iii) engaging with any person in any business combination which directly or indirectly involves the Acquired Assets or the Fee Properties; (iv) engaging in any transaction individually or in the aggregate with other such transactions material to the condition of the Business with any officer, director, Affiliate or associate of Sellers, or any associate of any such officer, director or Affiliate, outside the ordinary course of business other than on an arm's-length basis; (v) hiring or terminating or increasing the compensation of any management

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employees or entering into or revising any employment agreements with any employees; (vi) granting requests from any employees for vacation in excess of such employee's current vacation time or which will occur, in whole or in part, on or after the Closing Date; or (vii) entering into any contract, agreement or arrangement to do or engage in any of the foregoing, except as set forth on **Schedule 6(o)** of the Disclosure Schedules.

(m) **Metropolitan Sports Agreement.** Sellers and Buyer shall cooperate and take commercially reasonable actions to negotiate an extension of the Metropolitan Sports Facility Agreement on terms acceptable to Buyer.

(n) **Solicitation.** Subject to the duties imposed by applicable law, unless this Agreement is terminated as a result of a failure of Buyer to meet a condition precedent or by mutual agreement of the Parties, from the date hereof through the Closing Date, Sellers will not take, nor will it permit any Affiliate of Sellers (or authorize or permit any investment banker, financial advisor, attorney, accountant or other person retained by or acting for or on behalf of Sellers or any such Affiliate) to take, directly or indirectly, any action to solicit, encourage, receive, negotiate, assist or otherwise facilitate (including by furnishing confidential information with respect to the Business or permitting access to the Acquired Assets, Fee Properties or Business) any offer or inquiry from any person concerning the direct or indirect acquisition of the Acquired Assets or the Fee Properties other than Buyer or its Affiliates.

(o) **Intercreditor Agreement.** Sellers shall make available to any senior lender of Buyer an Intercreditor Agreement whereby Buyer's lender shall have the right, in the case of a default by Buyer, to market to an approved franchisee, the collateral as ongoing Papa John's businesses. Such agreement shall be conditioned upon Buyer being in compliance with the terms of the Franchise Agreements and current on all amounts owed to Sellers and their Affiliates (or the lender bringing the Stores current and into compliance).

(p) **Marketing Support.** Sellers, for a period of six (6) months subsequent to the Closing Date, shall provide Buyer with marketing support and services from Papa John's corporate headquarters and field personnel, which support and services shall include, but not be limited to, reviewing and assisting with marketing plans, direct mail, print and media buying to support Buyer's marketing efforts at no cost to Buyer.

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(q) **Business License, Permits etc..** Sellers shall provide to Buyer within 30 days of the Closing Date, electronic versions of spreadsheets, which list all the business and operating licenses, health permits and all other licenses, permits, certifications and other approvals from a Governmental Entity that are necessary for PJCOMN to legally operate all of the Stores, with such spreadsheet naming such license, permit and/or certification necessary for each store/restaurant, the name of the Governmental Entity and contact person, if any, and the expiration and/or renewal date, if any, for any such permit, license, certification and other approvals.

9. **Conditions Precedent to Obligations of Buyer and Sellers to consummate the Closing.**

(a) **Conditions to Obligations of Buyer.** The obligation of Buyer to consummate the transactions to be consummated at the Closing is subject to the satisfaction (or waiver by Buyer) of the following conditions:

(i) the representations and warranties of Sellers set forth in this Agreement shall be true and correct in all material respects as of the Closing Date as if made as of the Closing Date and, with respect to the Fee Properties, as of the Fee Property Closing Date;

(ii) Sellers shall have performed or complied in all material respects with the agreements and covenants required to be performed or complied with by it under this Agreement as of or prior to the Closing;

(iii) no action, suit or proceeding shall be pending by or before any Governmental Entity seeking to prevent or challenge the consummation of the transactions contemplated by this Agreement and no judgment, order, writ, stipulation, injunction or decree enjoining or preventing the consummation of the transactions contemplated by this Agreement shall be in effect;

(iv) Sellers shall have delivered to Buyer a certificate to the effect that each of the conditions specified in clauses (i) through (iii) of this Section 9(a) is satisfied;

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(v) Sellers shall have obtained all Third Party Consents and either a Landlord Consent and Estoppel Certificate or another arrangement as provided in 8(d) or as provided in the last paragraph of Section 1(a) for each Lease in a form and substance satisfactory to the Parties and shall have effected all Governmental Filings to be obtained or effected by Sellers;

(vi) Sellers shall caused to be conducted, and deliver to Buyer not less than five days prior to the Closing Date, UCC lien search reports evidencing that there are no liens on the Acquired Assets;

(vii) the Acquired Assets shall be free and clear of all Security Interests and, as of the Fee Property Closing Date, the Fee Properties shall be free and clear of all Title Defects (as defined in the Cross Option Agreement) and Security Interests;

(viii) Buyer shall have received (A) such other customary certificates (such as certificates of good standing of Sellers in its or their jurisdictions of incorporation and certificates as to the incumbency of officers and the adoption of authorizing resolutions) as it shall reasonably request in connection with the Closing; and (B) a title report with regard to each Fee Property representing that each such Fee Property is free of Security Interests and Title Defects and a certificate of occupancy with regard to each Store authorizing the use thereof as a Papa John's restaurant; and (C) a Bill of Sale and Assignment conveying title to the Acquired Assets to Buyer; and

(ix) there shall not have occurred any change, event or circumstance that, individually or in the aggregate, is materially adverse to the business, financial condition or results of operations of the Business as a whole (other than changes, events or circumstances that are the result of economic factors affecting the local or national economy as a whole or that are the result of factors generally affecting the industry in which the Business competes) (a "Business Material Adverse Effect").

(b) **Conditions to Obligations of Sellers.** The obligation of Sellers to consummate the transactions to be consummated at the Closing is subject to the satisfaction (or waiver by Sellers) of the following conditions:

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(i) the representations and warranties of Buyer set forth in this Agreement shall be true and correct in all material respects as of the Closing Date as if made as of the Closing Date;

(ii) Buyer shall have performed or complied with its agreements and covenants required to be performed or complied with by it under this Agreement as of or prior to the Closing Date or the Fee Property Closing Date as applicable;

(iii) no action, suit or proceeding shall be pending by or before any Governmental Entity seeking to prevent consummation of the transactions contemplated by this Agreement and no judgment, order, writ, stipulation, injunction or decree enjoining or preventing consummation of the transactions contemplated by this Agreement shall be in effect;

(iv) Buyer shall have delivered to Sellers a certificate to the effect that each of the conditions specified in clauses (i) through (iii) of this Section 9(b) is satisfied; and

(v) Sellers shall have received such other customary certificates (such as a certificate of good standing of Buyer in its jurisdiction of incorporation and certificates as to the incumbency of officers and the adoption of authorizing resolutions) as it shall reasonably request in connection with the Closing.

10. **Other Deliveries and Actions Taken at Closing.**

(a) **Other Deliveries by Buyer at the Closing.** In addition to those documents referenced in Section 8, at the Closing, Buyer shall also deliver to Sellers the following documents and funds (fully executed where appropriate):

(i) Certified funds or a wire transfer in an amount representing the Closing Date Cash Payment.

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11. **Indemnification and Survival of Representations and Warranties.**

(a) **Definitions.** As used in this Agreement, the following terms shall have the following meanings:

“Event of Indemnification” shall mean and include:

with respect to Buyer, (i) the breach by Sellers of any of its or their representations or warranties contained in this Agreement, (ii) the breach by Sellers of any of its or their representations or warranties contained in any Ancillary Agreement, (iii) the failure of Sellers to pay, perform and discharge when due any Excluded Liability, (iv) the non-fulfillment or breach by Sellers of any of its or their covenants and agreements contained in this Agreement or in any Ancillary Agreement, or (v) the failure of Sellers to pay any income, sales, use or other Taxes with respect to the Business attributable to the operation of the Business prior to the Closing Date or the Fee Property Closing Date with respect to the Fee Properties (each, a “Buyer Event of Indemnification”); and

with respect to Sellers, (i) the breach by Buyer of any of its representations or warranties contained in this Agreement, (ii) the breach by Buyer of any of its representations or warranties contained in any Ancillary Agreement, (iii) the failure of Buyer to pay, perform and discharge when due any Assumed Liability, (iv) the non-fulfillment or breach by Buyer of any of its covenants and agreements contained in this Agreement or in any Ancillary Agreement or (v) the failure of Buyer to pay any sales, use or similar Taxes with respect to the Business attributable to the operation of the Business after the Closing Date or the Fee Property Closing Date with respect to the Fee Properties purchased, if any, pursuant to the Cross Option Agreement (each, a “Seller Event of Indemnification”).

“Indemnified Persons” shall mean and include:

with respect to a Buyer Event of Indemnification, Buyer and its Affiliates, successors and permitted assigns, and the respective officers and directors of each of the foregoing (collectively, “Buyer Indemnified Persons”); or

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with respect to a Seller Event of Indemnification, each Seller and its and their respective Affiliates, successors and permitted assigns, and the respective officers and directors of each of the foregoing (collectively, “Seller Indemnified Persons”).

Indemnifying Persons shall mean and include:

with respect to a Buyer Event of Indemnification, each Seller, jointly and severally, and each of their respective successors and assigns (the “**Seller Indemnifying Parties**”); or

with respect to a Seller Event of Indemnification, Buyer and each of its successors and assigns (the “**Buyer Indemnifying Parties**”).

“Losses” shall mean any and all losses, demands, actions or causes of action, suits, proceedings, investigations, arbitrations, claims, assessments, shortages, damages, liabilities (contingent or otherwise), payments, obligations, expenses (including reasonable attorneys’ and accountants’ fees), assessments sustained, suffered or incurred by any Indemnified Person arising from or in connection with any such matter that is the subject of indemnification under this Section 11; provided, that Losses shall not include any special, incidental or consequential damages or other similar relief (including without limitation, lost profits).

(b) **Indemnification Generally.** Subject to the limitations provided below, the Indemnifying Persons shall indemnify and hold harmless the Indemnified Persons from and against any and all Losses with respect to, arising out of or in connection with any Event of Indemnification.

(c) **Assertion of Claims.** No claim shall be brought under this Section 11 unless the Indemnified Persons, or any of them, in the case of a misrepresentation or breach of warranty only at any time prior to the applicable Survival Date (as herein defined), give the appropriate Indemnifying Persons (a) written notice of the existence of any such claim, specifying the nature and basis of such claim and the amount thereof, to the extent known or (b) written notice of any Third Party Claim (as defined below), the existence of which might give rise to such a claim; provided, that the failure so to provide either such notice will not relieve the Indemnifying Persons from any liability which they may have to the Indemnified Persons

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under this Agreement. Upon the giving of such written notice as aforesaid in the case of a misrepresentation or breach of warranty only, the Indemnified Persons, or any of them, shall have the right to commence legal proceedings for the enforcement of its or their rights under this Section 11.

(d) **Notice and Defense of Third Party Claims.** Losses for which indemnification may be sought hereunder resulting from the assertion of liability by third parties (each, a “Third Party Claim”) shall be subject to the following terms and conditions:

(i) The Indemnified Persons shall promptly give written notice to the Indemnifying Persons of any Third Party Claim that might give rise to such Losses by the Indemnified Persons, stating the nature and basis of such Third Party Claim, and the amount thereof to the extent known. Such notice shall be accompanied by copies of all relevant documentation with respect to such Third Party Claim. The Indemnifying Party shall have 15 business days to respond in writing if it desires to assume the defense of such claim. Notwithstanding the foregoing, the failure to provide notice of a Third Party Claim as aforesaid will not relieve the Indemnifying Persons from any liability which they may have to the Indemnified Persons under this Agreement.

(ii) In the event the Indemnifying Party elects to assume the defense of a Third Party Claim, it shall have the right to prosecute or settle such claim on terms it deems reasonable so long as such action shall not materially and adversely affect the business or assets of the Indemnified Party. Any settlement shall include a release by the third party claimant(s) of any and all liability of the Indemnified Party for such claim(s) and shall not include injunctive relief against the Indemnified Party without its consent. The Indemnified Party shall cooperate with the Indemnifying Party in the contest, defense or settlement of a claim so long as such is being pursued in good faith.

(iii) In the event the Indemnifying Party fails or elects not to assume the defense of a Third Party Claim, the Indemnified Persons may defend that Third Party Claims with counsel of their own choosing, at the sole cost and expense of the Indemnifying Parties, and shall act reasonably and in accordance with their good faith business judgment in handling such Third Party Claims.

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(iv) The Indemnifying Persons, on the one hand, and the Indemnified Persons, on the other hand, shall make available to each other and their counsel and accountants all books and records and information relating to any Third Party Claims, keep each other fully apprised as to the details and progress of all proceedings relating thereto and render to each other such assistance as may be reasonably required to ensure the proper and adequate defense of any and all Third Party Claims.

(e) **Survival of Representations and Warranties.** Subject to the further provisions of this Section 11, the representations and warranties of Buyer contained in this Agreement and any Ancillary Agreements and the representations and warranties of Sellers in this Agreement and any Ancillary Agreements shall be deemed to have been made on the date of this Agreement and on the Closing Date or the Fee Property Closing Date, as applicable, and shall survive the Closing for a period of one year after the Closing Date or the Fee Property Closing Date as applicable; provided that the representations and warranties in Section 6(a), 6(b), 6(e), 6(l) and the representations and warranties with respect to title to the Fee Properties set forth in the Cross Option Agreement and environmental matters set forth in the Cross Option Agreement shall survive the Closing (or the Fee Property Closing Date) for the applicable statute of limitations.

(f) **Characterization of Payments.** Any payments made pursuant to this Section 11 shall be treated for all Tax purposes as adjustments to the Purchase Price and no Party or any of its Affiliates shall take any position on a Tax Return or in any proceeding with any taxing authority contrary to such treatment, unless otherwise required by law.

(g) **Limitations.** Notwithstanding anything to the contrary contained in this Agreement or any Ancillary Agreement:

(i) no Buyer or Seller Indemnified Person shall be entitled to assert a claim under this Section 11 for or in respect of any Buyer or Seller Events of Indemnification or any Losses associated therewith to the extent such Losses are recovered by that Buyer or Seller Indemnified Person under any policy of insurance then in effect:

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(A) to the extent such Losses are recovered by that Buyer or Seller Indemnified Person under any policy of insurance then in effect; or

(B) until such time as the aggregate of all Losses that have been incurred by all Buyer or Seller Indemnified Persons, collectively, on account of all Buyer or Seller Events of Indemnification has exceeded \$25,000 (the “Basket”), and then only to the extent of the Losses in excess of the Basket; or

(C) in excess of \$5,000,000 in the aggregate with respect to all such claims collectively (the “Cap”).

(D) notwithstanding paragraphs (B) and (C) above, the Cap shall not apply to any Losses incurred by a Buyer Indemnified Party arising from or relating to (i) any Excluded Liability, (ii) a failure by Sellers to pay any Taxes due and required to be paid by Sellers in accordance with this Agreement, (iii) any claim for a breach by Sellers’ of any of its or their representations and warranties in Section 6(l), (iv) any shortages in the amount of Till Cash or inventory to be in the Stores at Closing, or (v) Sellers’ fraud.

(ii) the provisions of this Section 11 shall be the relevant Parties’ sole and exclusive remedy for a breach or default by any other Party of any of its respective representations, warranties, covenants or agreements set forth in this Agreement or any Ancillary Agreement.

12. **Counterparts and Facsimile Signature.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. This Agreement may be executed by facsimile signature.

13. **Notices.** All notices, requests, consents, demands and other communications required or permitted to be given or made under this Agreement shall be in writing and shall be deemed to have been duly given (a) on the date of personal delivery or (b) three days after the date of deposit in the United States Mail, postage prepaid, by certified mail, return receipt requested, or (c) one day after the date of delivery to an internationally recognized overnight

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courier service, in each case addressed as follows or to such other person or address as either Party shall designate by notice to the other Parties in accordance herewith:

If to Sellers: **via U.S. Mail**
Papa John's USA, Inc. or
Papa John's International, Inc.
P.O. Box 99900
Louisville, KY 40269-0900
Attn: General Counsel

via Courier
Papa John's International, Inc.
2002 Papa John's Boulevard
Louisville, KY 40299
Attn: General Counsel

If to Buyer: c/o Milestone Capital Management I, LLC
1775 Eye Street, NW
8th Floor
Washington, DC 20006
Attn: Murry N. Gunty
Facsimile: (202) 367-3001

With a copy to: Patton Boggs LLP
2550 M Street, NW
Washington, DC 20037
Attn: Douglas C. Boggs
Facsimile: (202) 457-6315

14. Entire Agreement. As used herein, the term "Agreement" shall mean this Assets Purchase Agreement, and the Exhibits hereto and the Schedules delivered in connection herewith. This Agreement and the Ancillary Agreements and the Confidentiality Agreement previously executed by principals of Buyer embody the entire agreement and understanding of the Parties hereto with respect to the subject matter herein contained, and supersedes all prior agreements, correspondence, arrangements and understandings relating to the subject matter hereof. No representation, promise, inducement or statement of intention has been made by any Party which has not been embodied in this Agreement or in the Ancillary Agreements, and no Party shall be bound by or be liable for any alleged representation, promise, inducement or

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statement of intention not so set forth. This Agreement may be amended, modified, superseded, or canceled only by a written instrument signed by all of the Parties hereto, and any of the terms, provisions, and conditions hereof may be waived, only by a written instrument signed by the waiving Party. Failure of any Party at any time or times to require performance of any provision hereof shall not be considered to be a waiver of any succeeding breach of such provision by any Party.

15. Captions. The captions in this Agreement are included for purposes of convenience only and shall not be considered a part of the Agreement in construing or interpreting any provision hereof.

16. Expenses. The Parties hereto shall each bear their own costs and expenses incurred in connection with the transactions described herein, including, without limitation, the fees and expenses of their legal counsel and accountants, and no such fees or expenses shall be charged to or paid on behalf of any Party hereto. Provided however, each Party shall equally share the cost of title insurance issued for the Fee Properties in connection with the transactions contemplated by the Cross Option Agreement.

17. Exhibits; Schedules. All Exhibits (including the representations and warranties contained in the Cross Option Agreement) and the Schedules to this Agreement shall be deemed to be incorporated herein by reference and made a part hereof as if set out in full herein.

18. Severability of Provisions. If any provision of this Agreement or the application thereof to any person or circumstance shall to any extent be held in any proceeding to be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it was held to be invalid or unenforceable, shall not be affected thereby, and shall be valid and be enforceable to the fullest extent permitted by law, but only if and to the extent such enforcement would not materially and adversely frustrate the Parties' essential objectives as expressed herein.

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19. Number; Gender. Unless the context clearly states otherwise, the use of the singular or plural in this Agreement shall include the other and the use of any gender shall include all others.

20. Governing Law; Venue. This Agreement shall be governed by, and shall be construed and enforced in accordance with, the laws of the Commonwealth of Kentucky, without giving effect to Kentucky's conflicts of laws principles. The proper venue for all matters litigated under this Agreement shall be in the courts of Jefferson County, Kentucky.

21. Binding Effect. Neither Buyer nor Sellers may assign their respective rights or obligations under this Agreement without the prior written consent of the other Party. Notwithstanding the foregoing, Sellers acknowledge and agree that Buyer may assign its rights to purchase the Acquired Assets and its obligations under this Agreement to one or more majority owned subsidiaries of Buyer or any of its Affiliates or to any lender as security for borrowings pursuant to a written agreement. Upon any such permitted assignment, the references in this Agreement to Buyer shall also apply to any such assignee unless the context otherwise requires. Any such assignment shall not release Buyer from its obligations under this Agreement or the Ancillary Agreements. All of the terms, provisions and conditions of this Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the Parties hereto, and their respective heirs, personal representatives, successors and permitted assigns.

22. Access to Information. From and after the Closing, Buyer shall afford Sellers reasonable access to all books and records, at reasonable times and on reasonable notice, relating to the Acquired Assets as shall be necessary for Sellers' preparation of any Federal, State or local tax returns relevant to the Business for any periods prior to the Closing.

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as of the date first written above, but actually on the dates set forth below their respective signatures.

PJUSA:	PAPA JOHN'S USA, INC. (Federal EIN 61-1193912)
	By: <u>/s/ Michael R. Cortino</u> Michael R. Cortino
	Title: Senior Vice President, Operations
Papa John's:	PAPA JOHN'S INTERNATIONAL, INC. (Federal EIN 61-1203323)
	By: <u>/s/ J. David Flanery</u> J. David Flanery
	Title: Chief Financial Officer
Buyer:	PJCOMN ACQUISITION CORPORATION (Federal EIN 20-3223709)
	By: <u>/s/ Murry N. Gunty</u> Murry N. Gunty
	Title: Chairman of the Board

ASSETS PURCHASE AGREEMENT

EXHIBITS

<u>Exhibit</u>	<u>Description</u>
A	Stores (including phone numbers)
B	Fee Properties
C	Contingent Store Agreement
D	Bill of Sale and Assignment
E	Form of Assignment, Consent and Estoppel
F	Form of Development Agreement
G	Form of Franchise Agreement
H	Accounting Services Agreement
I	Cross Option Agreement
J	Assignment and Assumption Agreement
K	Letter Agreement

The schedules referenced in this document and the exhibits listed on the previous page were omitted from this filing. The material terms of the agreement are included within the document filed.

**SECTION 302
CERTIFICATION**

I, Nigel Travis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Papa John's International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2005

/s/ Nigel Travis

Nigel Travis

President and Chief Executive Officer

**SECTION 302
CERTIFICATION**

I, J. David Flanery, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Papa John's International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2005

/s/ J. David Flanery

J. David Flanery
Senior Vice President and Chief Financial
Officer

**SECTION 906
CERTIFICATION**

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

1. The Report on Form 10-Q of the Company for the quarterly period ended September 25, 2005 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2005

/s/ Nigel Travis

Nigel Travis

President and Chief Executive Officer

**SECTION 906
CERTIFICATION**

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

1. The Report on Form 10-Q of the Company for the quarterly period ended September 25, 2005 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2005

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