UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 30, 2018

or

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

For the transition period from to

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 No.)
2002 Papa John's Boulevard **Louisville, Kentucky** (Address of principal executive offices)	**40299-2367** (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

(Title of Each Class)	(Name of each exchange on which registered)
Common Stock, $0.01 par value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the Registrant, computed by reference to the closing sale price on The NASDAQ Stock Market as of the last business day of the Registrant's most recently completed second fiscal quarter, July 1, 2018, was $1,120,697,454.

As of March 4, 2019, there were 31,642,269 shares of the Registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Part III of this annual report are incorporated by reference to the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held April 30, 2019.

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PART I

Item 1. Business

General

Papa John’s International, Inc., a Delaware corporation (referred to as the “Company”, “Papa John’s” or in the first person notations of “we”, “us” and “our”), operates and franchises pizza delivery and carryout restaurants and, in certain international markets, dine-in and delivery restaurants under the trademark “Papa John’s”. Papa John’s began operations in 1984. At December 30, 2018, there were 5,303 Papa John’s restaurants in operation, consisting of 645 Company-owned and 4,658 franchised restaurants operating domestically in all 50 states and in 46 countries and territories. Our Company-owned restaurants include 183 restaurants operated under three joint venture arrangements.

Papa John’s has defined four reportable segments: domestic Company-owned restaurants, North America commissaries (Quality Control Centers), North America franchising and international operations. North America is defined as the United States and Canada. Domestic is defined as the contiguous United States. International franchisees are defined as all franchise operations outside of the United States and Canada. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Note 22” of “Notes to Consolidated Financial Statements” for financial information about our segments.

All of our periodic and current reports filed with the Securities and Exchange Commission (the “SEC”) pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), are available, free of charge, through our website located at www.papajohns.com. These reports include our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports. These reports are available through our website as soon as reasonably practicable after we electronically file them with the SEC. We also make available free of charge on our website our Corporate Governance Guidelines, Board Committee Charters, and our Code of Ethics, which applies to Papa John’s directors, officers and employees. Printed copies of such documents are also available free of charge upon written request to Investor Relations, Papa John’s International, Inc., P.O. Box 99900, Louisville, KY 40269-0900. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us, at www.sec.gov. The references to these website addresses do not constitute incorporation by reference of the information contained on the websites, which should not be considered part of this document.

2018 Business Matters

We have experienced negative publicity and consumer sentiment as a result of statements by the Company’s founder and former spokesperson John H. Schnatter in late 2017 and in July 2018, which contributed to our negative sales results in 2018. Mr. Schnatter resigned as Chairman of the Board on July 11, 2018, the same day that the media reported certain controversial statements made by Mr. Schnatter. A Special Committee of the Board of Directors consisting of all of the independent directors (the “Special Committee”) was formed on July 15, 2018 to evaluate and take action with respect to all of the Company’s relationships and arrangements with Mr. Schnatter. In addition, on July 27, 2018, the Company announced that the Board’s Lead Independent Director, Olivia F. Kirtley, had been unanimously appointed by the Board of Directors to serve as Chairman of the Company’s Board of Directors. Following its formation, the Special Committee terminated Mr. Schnatter’s Founder Agreement, which defined his role in the Company, among other things, as advertising and brand spokesperson for the Company. The Special Committee, among other things, oversaw the previously announced external audit and investigation of all the Company’s existing processes, policies and systems related to diversity and inclusion, supplier and vendor engagement and Papa John’s culture, which is substantially complete. The Special Committee has delivered recommendations resulting from the audit to Company management, who will implement the recommendations, including initiatives and training regarding Diversity, Equity, and Inclusion. The Company is also implementing various branding and marketing initiatives, including a new advertising and marketing campaign.

In September 2018, the Company began a process to evaluate a wide range of strategic options with the goal of improving sales, maximizing value for all shareholders and serving the best interest of the Company’s stakeholders. As part of this strategic review, the Special Committee also engaged legal and financial advisors. After extensive discussions with a wide group of strategic and financial investors, the Special Committee concluded that an investment agreement with funds affiliated with Starboard Value LP (together with its affiliates, "Starboard") was in the best interest of shareholders. On February 3, 2019, the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with Starboard pursuant to which Starboard made a $200 million strategic investment in the Company's newly designated Series B convertible preferred stock, par value $0.01 per share (the "Series B Preferred Stock"), with the option to make an additional $50 million investment in the Series B Preferred Stock through March 29, 2019. In addition, the Company has the right to offer up to 10,000 shares of Series B Preferred Stock to Papa John's franchisees, on the same terms as to Starboard, provided such franchisees satisfy accredited investor and other requirements of the offering under securities laws.

The Company will use approximately half of the proceeds from the sale of the Series B Preferred Stock to reduce the outstanding principal amount under the Company's unsecured revolving credit facility. The remaining proceeds are expected to be used to make investments in the business and for general corporate purposes.

In connection with Starboard's investment, the Company expanded its Board of Directors to include two new independent directors, Jeffrey C. Smith, Chief Executive Officer of Starboard, who was appointed Chairman of the Board, and Anthony M. Sanfilippo, former Chairman and Chief Executive Officer of Pinnacle Entertainment, Inc. The Board of Directors believes Mr. Smith's business expertise and new perspectives will help support the Company's strategy to capitalize on its differentiated "BETTER INGREDIENTS. BETTER PIZZA." market position and build a better pizza company for the benefit of its shareholders, team members, franchisees and customers. In addition, the Company's President and Chief Executive Officer, Steve Ritchie, has been appointed to the Board. With the addition of the new directors, the Board currently is comprised of nine directors, seven of whom are independent.

Comparable Sales Trends. For the period from December 31, 2018 to January 31, 2019, system-wide North America comparable sales decreased 10.5% and system-wide International comparable sales were flat. The Company believes the disparity in North America and International comparable sales reflects the consumer sentiment challenges the brand has encountered in the United States. The Company is implementing various brand initiatives, including a new advertising and marketing campaign, in an effort to reverse the negative North America sales trend. However, the Company cannot predict whether or how long the negative sales trend will continue.

Special Charges. The Company also incurred significant costs (defined as "Special charges") as a result of the above-mentioned recent events in the second half of 2018. We incurred $50.7 million of Special charges as follows:

- franchise royalty reductions of approximately $15.4 million for all North America franchisees,
- reimaging costs at nearly all domestic restaurants and replacement or write off of certain branded assets totaling $5.8 million,
- contribution of $10.0 million to the Papa John's National Marketing Fund ("PJMF"), and
- legal and professional fees, which amounted to $19.5 million, for various matters relating to the review of a wide range of strategic opportunities for the Company that culminated in the recent strategic investment in the Company by affiliates of Starboard, as well as a previously announced external culture audit and other activities overseen by the Special Committee.

The Company estimates that these costs will amount to between $30 million and $50 million for 2019.

Following these events in 2018, we became a party to litigation, including class action securities litigation and litigation with Mr. Schnatter. See Item 1A. Risk Factors and "Note 19" to the "Consolidated Financial Statements" for additional information regarding these and other lawsuits.

Strategy

Early in 2018, we outlined five strategic priorities to improve upon the execution of the Company's strategy, including:

- People: Focus on making people a priority with advanced career opportunities and more efficient restaurant procedures to support improved recruitment and retention.
- Brand differentiation messaging: Develop improved marketing messaging that highlights our quality products and ingredients.

- Value perception: Provide everyday accessible value to consumers.
- Technological advancements: Promote technological advancements with enhanced data and analytics capabilities.
- Restaurant unit economics: Invest further in our restaurants to operate more efficiently while improving the customer experience.

We believe investments in these areas will provide the enhanced focus and support necessary to achieve our goal to build brand loyalty over the long-term by delivering on our “BETTER INGREDIENTS. BETTER PIZZA.” promise. Despite our recent brand challenges, we believe we are recognized as a trusted brand and quality leader in the domestic pizza category, and we believe focusing on these areas will enable us to build our brand on a global basis and increase sales and global units.

High-Quality Menu Offerings. Our menu strategy focuses on the quality of our ingredients. Domestic Papa John’s restaurants offer high-quality pizza along with side items, including breadsticks, cheesesticks, chicken poppers and wings, dessert items and canned or bottled beverages. Papa John’s original crust pizza is prepared using fresh dough (never frozen). Papa John’s pizzas are made from a proprietary blend of wheat flour; real cheese made from mozzarella; fresh-packed pizza sauce made from vine-ripened tomatoes (not from concentrate) and a proprietary mix of savory spices; and a choice of high-quality meat and vegetable toppings. Our original and pan dough crust pizza is delivered with a container of our special garlic sauce and a pepperoncini pepper. In addition to our fresh dough pizzas, we offer a par-baked thin crust and a gluten free crust. Each is served with a pepperoncini pepper. We have a continuing “clean label” initiative to remove unwanted ingredients from our product offerings over the next few years, such as synthetic colors, artificial flavors and preservatives.

We also offer limited-time pizzas on a regular basis and expect to expand these offerings in 2019. We also test new product offerings both domestically and internationally. The new products can become a part of the permanent menu if they meet certain internally established guidelines.

All ingredients and toppings can be purchased by our Company-owned and franchised restaurants from our North American Quality Control Center (“QC Center”) system, which delivers to individual restaurants twice weekly. To ensure consistent food quality, each domestic franchisee is required to purchase dough and pizza sauce from our QC Centers and to purchase all other supplies from our QC Centers or other approved suppliers. Internationally, the menu may be more diverse than in our domestic operations to meet local tastes and customs. Most QC Centers outside the U.S. are operated by franchisees pursuant to license agreements or by other third parties. The Company currently operates only one international QC Center, which is in the United Kingdom (“UK”). Our China QC Center was sold to a franchisee in 2018 and our QC Center in Mexico City was sold to a franchisee in early 2019. We provide significant assistance to licensed QC Centers in sourcing approved quality suppliers. All QC Centers are required to meet food safety and quality standards and to be in compliance with all applicable laws.

Efficient Operating System. We believe our operating and distribution systems, restaurant layout and designated delivery areas result in improved food quality and customer service as well as lower restaurant operating costs. Our QC Center system takes advantage of volume purchasing of food and supplies. The QC Center system also provides consistency and efficiencies of scale in fresh dough production. This eliminates the need for each restaurant to order food from multiple vendors and commit substantial labor and other resources to dough preparation.

Commitment to Team Member Training and Development. We are committed to the development and motivation of our team members through training programs, including our leadership development programs, Diversity, Equity and Inclusion initiatives and training, incentive and recognition programs and opportunities for advancement. Team member training programs are conducted for Company-owned restaurant team members, and operational training is offered to our franchisees. We offer performance-based financial incentives to corporate team members and restaurant managers.

Marketing. Our branding efforts seek to showcase the values of the Company and its team members. We evaluate marketing investments with respect to their ability to activate and accelerate positive consumer sentiment, utilizing campaigns that spotlight the Company’s differentiated focus on quality, better ingredients and better pizza.

Our domestic marketing strategy consists of both national and local components. Our national strategy includes national advertising via television, print, direct mail, digital, mobile marketing and social media channels. Our digital marketing activities have increased significantly over the past several years in response to increasing customer use of online and mobile web technology. Local advertising programs include television, radio, print, direct mail, store-to-door flyers, digital, mobile marketing and local social media channels. See "Marketing Programs" below, which describes more local marketing programs.

In international markets, our marketing focuses on reaching customers who live or work within a small radius of a Papa John's restaurant. Our international markets use a combination of advertising strategies, including television, radio, print, digital, mobile marketing and local social media depending on the size of the local market.

Technology. We use technology to deliver a better customer experience, focusing on key strategies that offer benefits to the customer as well as advancing our objectives of higher customer lifetime value and deeper brand affinity.

Our technology initiatives build on our past milestones, which include the introduction of digital ordering across all our U.S. delivery restaurants in 2001 and the launch of a domestic digital rewards program in 2010. In 2018, over 60% of domestic sales were placed through digital channels. Technology investments have included enhanced digital ordering and expanded mobile app capabilities. As we continue to enhance our digital capabilities, we have focused on technology investments that allow us to use data to target marketing programs to individual customers as well as customer segments. In late 2018, we relaunched our digital rewards program with enhanced targeted marketing capabilities.

Franchise System. We are committed to developing and maintaining a strong franchise system by attracting experienced operators, supporting them to expand and grow their business and monitoring their compliance with our high standards. We seek to attract and retain franchisees with experience in restaurant or retail operations and with the financial resources and management capability to open single or multiple locations. While each Papa John's franchisee manages and operates its own restaurants and business, we devote significant resources to providing franchisees with assistance in restaurant operations, training, marketing, site selection and restaurant design.

Our strategy for global franchise unit growth focuses on our sound unit economics model. We strive to eliminate barriers to expansion in existing international markets, and identify new market opportunities. Our growth strategy varies based on the maturity and penetration of the market and other factors in specific domestic and international markets, with overall unit growth expected to come increasingly from international markets.

Restaurant Sales and Investment Costs

We are committed to maintaining sound restaurant unit economics. In 2018, the 637 domestic Company-owned restaurants included in the full year's comparable restaurant base generated average annual unit sales of $1.07 million. Our North American franchise restaurants, which included 2,396 restaurants in the full year's comparable base for 2018, generated average annual unit sales of $840,000. Average annual unit sales for North American franchise restaurants are lower than those of Company-owned restaurants as a higher percentage of our Company-owned restaurants are located in more heavily penetrated markets.

With only a few exceptions, domestic restaurants do not offer dine-in service, which reduces our restaurant capital investment. The average cash investment for the six domestic traditional Company-owned restaurants opened during 2018, exclusive of land, was approximately $345,000 per unit, compared to the $354,000 investment for the 12 domestic traditional units opened in 2017, excluding tenant allowances that we received. In recent years, we have experienced an increase in the cost of our new restaurants primarily as a result of building larger units and incurring higher costs of certain equipment as a result of technology enhancements and increased costs to comply with applicable regulations.

We define a "traditional" domestic Papa John's restaurant as a delivery and carryout unit that services a defined trade area. We consider the location of a traditional restaurant to be important and therefore devote significant resources to the investigation and evaluation of potential sites. The site selection process includes a review of trade area demographics, target population density and competitive factors. A member of our development team inspects each potential domestic Company-owned restaurant location and substantially all franchised restaurant locations before a site is approved. Papa

John’s restaurants are typically located in strip shopping centers or freestanding buildings that provide visibility, curb appeal and accessibility. Our restaurant design can be configured to fit a wide variety of building shapes and sizes, which increases the number of suitable locations for our Company-owned and franchised restaurants. A typical traditional domestic Papa John’s restaurant averages 1,100 to 1,500 square feet with visible exterior signage.

“Non-traditional” Papa John’s restaurants generally do not provide delivery service but rather provide walk-up or carryout service to a captive customer group within a designated facility, such as a food court at an airport, university or military base or an event-driven service at facilities such as sports stadiums or entertainment venues. Non-traditional units are designed to fit the unique requirements of the venue and may not offer the full range of menu items available in our traditional restaurants.

As of December 30, 2018, all of our international restaurants are franchised. Generally, our international Papa John’s restaurants are slightly smaller than our domestic restaurants and average between 900 and 1,400 square feet; however, in order to meet certain local customer preferences, some international restaurants have been opened in larger spaces to accommodate both dine-in and restaurant-based delivery service, ranging from 35 to 140 seats.

Development

At December 30, 2018, there were 5,303 Papa John’s restaurants operating in all 50 states and in 46 international countries and territories, as follows:

	Domestic Company-owned	Franchised North America	Total North America	International	System-wide
Beginning - December 31, 2017	708	2,733	3,441	1,758	5,199
Opened	6	83	89	304	393
Closed	(7)	(186)	(193)	(96)	(289)
Acquired	-	62	62	34	96
Sold	(62)	-	(62)	(34)	(96)
Ending - December 30, 2018	645	2,692	3,337	1,966	5,303

Although most of our domestic Company-owned markets are well-penetrated, our Company-owned growth strategy is to continue to open domestic restaurants in existing markets as appropriate, thereby increasing consumer awareness and enabling us to take advantage of operational and marketing efficiencies. Our experience in developing markets indicates that market penetration through the opening of multiple restaurants in a particular market results in increased average restaurant sales in that market over time. We have co-developed domestic markets with some franchisees or divided markets among franchisees and will continue to utilize market co-development in the future, where appropriate.

Of the total 3,337 North American restaurants open as of December 30, 2018, 645 units, or approximately 19%, were Company-owned (including 183 restaurants owned in joint venture arrangements with franchisees in which the Company has a majority ownership position and control). Operating Company-owned restaurants allows us to improve operations, training, marketing and quality standards for the benefit of the entire system. From time to time, we evaluate the purchase or sale of units or markets, which could change the percentage of Company-owned units. During 2018, we sold 62 restaurants located in Denver, Colorado and in Minnesota, in each case to a franchise group.

All of the 1,966 international restaurants are franchised after the 2018 sale of the Company’s 34 restaurants located in Beijing and North China.

QC Center System and Supply Chain Management

Our North American QC Center system currently comprises 11 full-service regional production and distribution centers in the U.S which supply pizza sauce, dough, food products, paper products, smallwares and cleaning supplies twice weekly to each traditional restaurant served. Additionally, we have one QC Center in Canada, which produces and distributes fresh dough. This system enables us to monitor and control product quality and consistency while lowering food and other costs. We evaluate the QC Center system capacity in relation to existing restaurants' volumes and planned restaurant growth, and facilities are developed or upgraded as operational or economic conditions warrant.

In addition, we currently own a full-service international QC Center in Milton Keynes, United Kingdom. Other international QC Centers are licensed to franchisees or non-franchisee third parties and are generally located in the markets where our franchisees have restaurants.

We set quality standards for all products used in Papa John's restaurants and designate approved outside suppliers of food and paper products that meet our quality standards. To ensure product quality and consistency, all domestic Papa John's restaurants are required to purchase pizza sauce and dough from QC Centers. Franchisees may purchase other goods directly from our QC Centers or other approved suppliers. National purchasing agreements with most of our suppliers generally result in volume discounts to us, allowing us to sell products to our restaurants at prices we believe are below those generally available to other restaurants. Within our North American QC Center system, products are primarily distributed to restaurants by leased refrigerated trucks operated by us.

Marketing Programs

Our local restaurant-level marketing programs target potential customers within the delivery area of each restaurant through the use of local television, radio, print materials, targeted direct mail, store-to-door flyers, digital display advertising, email marketing, text messages and local social media. Local marketing efforts also include a variety of community-oriented activities within schools, sports venues and other organizations supported with some of the same advertising vehicles mentioned above. We recently began working with delivery aggregators to reach other customer channels and also enhanced our domestic loyalty program at the end of 2018.

Domestic Company-owned and franchised Papa John's restaurants within a defined market may be required to join an area advertising cooperative ("Co-op"). Each member restaurant contributes a percentage of sales to the Co-op for market-wide programs, such as television, radio, digital and print advertising, and sports sponsorships. The rate of contribution and uses of the monies collected are determined by a majority vote of the Co-op's members. The contribution rate for Co-ops generally may not be below 2% of sales without approval from Papa John's.

The restaurant-level and Co-op marketing efforts are supported by media, print, digital and electronic advertising materials that are produced by Papa John's Marketing Fund, Inc. ("PJMF"). PJMF is an unconsolidated nonstock corporation designed to operate at break-even for the purpose of designing and administering advertising and promotional programs for all participating domestic restaurants. PJMF produces and buys air time for Papa John's national television commercials, and advertises the Company's products through digital media including banner advertising, paid search-engine advertising, mobile marketing, social media advertising and marketing, text messaging, and emailing. It also engages in other brand-building activities, such as consumer research and public relations activities. Domestic Company-owned and franchised Papa John's restaurants are required to contribute a certain minimum percentage of sales to PJMF. The contribution rate to PJMF can be set at up to 3% of sales, if approved by the governing board of PJMF, and beyond that level if approved by a supermajority of domestic restaurants. The domestic franchise system approved a new contribution rate of 4.50% effective in the fourth quarter of 2017. The rate increased an additional 0.25% to 4.75% effective at the beginning of 2019.

Our proprietary domestic digital ordering platform allows customers to order online, including "plan ahead ordering," Apple TV ordering and Spanish-language ordering capability. Digital payment platforms include VISA Checkout, PayPal, and Venmo PayShare. We provide enhanced mobile ordering for our customers, including Papa John's iPhone® and Android® applications. Our PAPA REWARDS® program is a customer loyalty program designed to increase loyalty and frequency; we offer this program domestically, in the UK, and in several international markets. We receive a percentage-based fee from North American franchisees for online sales, in addition to royalties, to defray development and operating costs associated with our digital ordering platform. We believe continued innovation and investment in the design and functionality of our online and mobile platforms is critical to the success of our brand.

Our domestic restaurants offer customers the opportunity to purchase reloadable gift cards, sold as either a plastic gift card purchased in our restaurants, or an online digital card. Gift cards are sold to customers on our website, through third-party retailers, and in bulk to business entities and organizations. We continue to explore other gift card distribution opportunities. Gift cards may be redeemed for delivery, carryout, and digital orders and are accepted at all Papa John's traditional domestic restaurants.

We provide both Company-owned and franchised restaurants with pre-approved marketing materials and catalogs for the purchase of promotional items. We also provide direct marketing services to Company-owned and domestic franchised restaurants using customer information gathered by our proprietary point-of-sale technology (see "Company Operations — *North America Point-of-Sale Technology*"). In addition, we provide database tools, templates and training for operators to facilitate local email marketing and text messaging through our approved tools.

In international markets, our marketing focuses on customers who live or work within a small radius of a Papa John's restaurant. Certain markets can effectively use television and radio as part of their marketing strategies. The majority of the marketing efforts include using print materials such as flyers, newspaper inserts, in-store marketing materials, and to a growing extent, digital marketing such as display, search engine marketing, social media, mobile marketing, email, and text messaging. Local marketing efforts, such as sponsoring or participating in community events, sporting events and school programs, are also used to build customer awareness.

Company Operations

Domestic Restaurant Personnel. A typical Papa John's Company-owned domestic restaurant employs a restaurant manager and approximately 20 to 25 hourly team members, many of whom work part-time. The manager is responsible for the day-to-day operation of the restaurant and maintaining Company-established operating standards. We seek to hire experienced restaurant managers and staff and provide comprehensive training programs in areas such as operations and managerial skills. We also employ directors of operations who are responsible for overseeing an average of seven Company-owned restaurants. Senior management and corporate staff also support the field teams in many areas, including, but not limited to, quality assurance, food safety, training, marketing and technology. We seek to motivate and retain personnel by providing opportunities for advancement and performance-based financial incentives.

Training and Education. We believe training is very important to delivering consistent operational execution, and we create tools and materials for the operational training and development of both corporate and franchise team members. Operations personnel complete our management training program and ongoing development programs, including multi-unit training, in which instruction is given on all aspects of our systems and operations.

North America Point-of-Sale Technology. Our proprietary point-of-sale technology, "FOCUS", is in place in all North America traditional Papa John's restaurants. We believe this technology facilitates fast and accurate order-taking and pricing, and allows the restaurant manager to better monitor and control food and labor costs, including food inventory management and order placement from QC Centers. The system allows us to obtain restaurant operating information, providing us with timely access to sales and customer information. The FOCUS system is also integrated with our digital ordering solutions in all North American traditional Papa John's restaurants.

Domestic Hours of Operation. Our domestic restaurants are open seven days a week, typically from 11:00 a.m. to 12:30 a.m. Monday through Thursday, 11:00 a.m. to 1:30 a.m. on Friday and Saturday and 12:00 noon to 11:30 p.m. on Sunday. Carryout hours are generally more limited for late night service, for security purposes.

Franchise Program

General. We continue to attract qualified and experienced franchisees, whom we consider to be a vital part of our system's continued growth. We believe our relationship with our franchisees is fundamental to the performance of our brand and we strive to maintain a collaborative relationship with our franchisees. As of December 30, 2018, there were 4,658 franchised Papa John's restaurants operating in all 50 states and 46 countries and territories. During 2018, our franchisees opened an additional 387 (83 North America and 304 internationally) restaurants, which includes the opening of Papa John's restaurants in three new countries: the Bahamas, Kazakhstan and Kyrgyzstan. As of December 30, 2018, we have development agreements with our franchisees for approximately 130 additional North America restaurants, the majority of which are committed to open over the next two years, and agreements for approximately 900 additional international franchised restaurants, the majority of which are scheduled to open over the next six years. There can be no assurance that all of these restaurants will be opened or that the development schedules set forth in the development agreements will be achieved.

Approval. Franchisees are approved on the basis of the applicant's business background, restaurant operating experience and financial resources. We seek franchisees to enter into development agreements for single or multiple restaurants. We require each franchisee to complete our training program or to hire a full-time operator who completes the training and has either an equity interest or the right to acquire an equity interest in the franchise operation. For most non-traditional operations and for operations outside the United States, we will allow an approved operator bonus plan to substitute for the equity interest.

North America Development and Franchise Agreements. We enter into development agreements with our franchisees in North America for the opening of a specified number of restaurants within a defined period of time and specified geographic area. Our standard domestic development agreement includes a fee of $25,000 before consideration of any incentives. The franchise agreement is generally executed once a franchisee secures a location. Our current standard franchise agreement requires the franchisee to pay a royalty fee of 5% of sales, and the majority of our existing franchised restaurants have a 5% contractual royalty rate in effect. Incentives offered from time to time, including new store incentives, will reduce the actual royalty rate paid. Incentives in effect in the later part of 2018 to support the franchise system included a royalty reduction of 2% and 1% for the third and fourth quarters, respectively.

Over the past several years, we have offered various development incentive programs for domestic franchisees to accelerate unit openings. Such incentives included the following for 2018 traditional openings: (1) waiver of the standard one-time $25,000 franchise fee if the unit opens on time in accordance with the agreed-upon development schedule, or a reduced fee of $5,000 if the unit opens late; (2) the waiver of some or all of the 5% royalty fee for a period of time; (3) a credit for new store equipment; and (4) a credit to be applied toward a future food purchase, under certain circumstances. We believe development incentive programs have accelerated unit openings.

Substantially all existing franchise agreements have an initial 10-year term with a 10-year renewal option. We have the right to terminate a franchise agreement for a variety of reasons, including a franchisee's failure to make payments when due or failure to adhere to our operational policies and standards. Many state franchise laws limit our ability as a franchisor to terminate or refuse to renew a franchise.

We provide assistance to Papa John's franchisees in selecting sites, developing restaurants and evaluating the physical specifications for typical restaurants. We provide layout and design services and recommendations for subcontractors, signage installers and telephone systems to Papa John's franchisees. Our franchisees can purchase complete new store equipment packages through an approved third-party supplier. We sell replacement smallwares and related items to our franchisees. Each franchisee is responsible for selecting the location for its restaurants, but must obtain our approval of the restaurant design and location based on traffic accessibility and visibility of the site and targeted demographic factors, including population density, income, age and traffic.

Domestic Franchise Support Initiatives. In 2018, we have increased our franchise support initiatives in light of the current sales pressures by providing additional royalty reductions of 2% and 1% in the third and fourth quarters, respectively. Historically, discretionary support initiatives to our domestic franchisees, included the following:

- Performance-based incentives;
- Targeted royalty relief and local marketing support to assist certain identified franchisees or markets;
- Restaurant opening incentives; and
- Reduced-cost direct mail campaigns from Preferred Marketing Solutions ("Preferred"), our wholly owned print and promotions subsidiary.

In 2019, we plan to offer some or all of these domestic franchise support initiatives, with a particular focus of providing assistance to franchisees in emerging and/or high cost markets.

International Development and Franchise Agreements. We define "international" as all markets outside the United States and Canada. In international markets, we have either a development agreement or a master franchise agreement with a franchisee for the opening of a specified number of restaurants within a defined period of time and specified geographic area. Under a master franchise agreement, the franchisee has the right to sub-franchise a portion of the development to one or more sub-franchisees approved by us. Under our current standard international development or master franchise agreement, the franchisee is required to pay total fees of $25,000 per restaurant: $5,000 at the time of signing the agreement and $20,000 when the restaurant opens or on the agreed-upon development date, whichever comes first. Additionally, under our current standard master franchise agreement, the master franchisee is required to pay $15,000 for each sub-franchised restaurant — $5,000 at the time of signing the agreement and $10,000 when the restaurant opens or on the agreed-upon development date, whichever comes first.

Our current standard international master franchise and development agreements provide for payment to us of a royalty fee of 5% of sales. For international markets with sub-franchise agreements, the effective sub-franchise royalty received by the Company is generally 3% of sales and the master franchisee generally receives a royalty of 2% of sales. The remaining terms applicable to the operation of individual restaurants are substantially equivalent to the terms of our domestic franchise agreement. Development agreements will be negotiated at other-than-standard terms for fees and royalties, and we may offer various development and royalty incentives to help drive net unit growth and results.

Non-traditional Restaurant Development. We had 247 non-traditional domestic restaurants at December 30, 2018. Non-traditional restaurants generally cover venues or areas not originally targeted for traditional unit development, and our franchised non-traditional restaurants have terms differing from the standard agreements.

Franchisee Loans. Selected domestic and international franchisees have borrowed funds from us, principally for the purchase of restaurants from us or other franchisees or for construction and development of new restaurants. Loans made to franchisees can bear interest at fixed or floating rates and in most cases are secured by the fixtures, equipment and signage of the restaurant and/or are guaranteed by the franchise owners. At December 30, 2018, net loans outstanding totaled $28.8 million. See “Note 13” of “Notes to Consolidated Financial Statements” for additional information.

Domestic Franchise Training and Support. Our domestic field support structure consists of franchise business directors who are responsible for serving an average of 165 franchised units each. Our franchise business directors maintain open communication with the franchise community, relaying operating and marketing information and new initiatives between franchisees and us.

Every franchisee is required to have a principal operator approved by us who satisfactorily completes our required training program. Principal operators for traditional restaurants are required to devote their full business time and efforts to the operation of the franchisee’s traditional restaurants. Each franchised restaurant manager is also required to complete our Company-certified management operations training program and we monitor ongoing compliance with training. Multi-unit franchisees are encouraged to appoint training store general managers or hire a full-time training coordinator certified to deliver Company-approved operational training programs.

International Franchise Operations Support. We employ or contract with international business directors who are responsible for supporting one or more franchisees. The international business directors usually report to regional vice presidents. Senior management and corporate staff also support the international field teams in many areas, including, but not limited to, food safety, quality assurance, marketing, technology, operations training and financial analysis.

Franchise Operations. All franchisees are required to operate their Papa John’s restaurants in compliance with our policies, standards and specifications, including matters such as menu items, ingredients, and restaurant design. Franchisees have full discretion in human resource practices, and generally have full discretion to determine the prices to be charged to customers, but we generally have the authority to set maximum price points for nationally advertised promotions.

Franchise Advisory Council. We have a franchise advisory council that consists of Company and franchisee representatives of domestic restaurants. We also have a franchise advisory council in the United Kingdom. The various councils and subcommittees hold regular meetings to discuss new product and marketing ideas, operations, growth and other business issues. Certain domestic franchisees have also formed an independent franchise association for the purpose of communicating and addressing issues, needs and opportunities among its members.

We currently communicate with, and receive input from, our franchisees in several forms, including through the various councils, annual operations conferences, system communications, national conference calls, various regional meetings conducted with franchisees throughout the year and ongoing communications from franchise business directors and international business directors in the field. Monthly webcasts are also conducted by the Company to discuss current operational, marketing and other issues affecting the domestic franchisees' business. We are committed to communicating with our franchisees and receiving input from them.

Industry and Competition

The United States Quick Service Restaurant pizza ("QSR Pizza") industry is mature and highly competitive with respect to price, service, location, food quality, customer loyalty programs and product innovation. There are well-established competitors with substantially greater financial and other resources than Papa John's. The category is largely fragmented and competitors include international, national and regional chains, as well as a large number of local independent pizza operators, any of which can utilize a growing number of food delivery services. Some of our competitors have been in existence for substantially longer periods than Papa John's and can have higher levels of restaurant penetration and stronger, more developed brand awareness in markets where we compete. According to industry sources, domestic QSR Pizza category sales, which includes dine-in, carry out and delivery, totaled approximately $37 billion in 2018, or an increase of 2.0% from the prior year. Competition from delivery aggregators and other food delivery concepts continues to increase both domestically and internationally.

With respect to the sale of franchises, we compete with many franchisors of restaurants and other business concepts. There is also active competition for management personnel, drivers and hourly team members, and attractive commercial real estate sites suitable for Papa John's restaurants.

Government Regulation

We, along with our franchisees, are subject to various federal, state, local and international laws affecting the operation of our respective businesses, including laws and regulations related to the preparation and sale of food, including food safety and menu labeling. Each Papa John's restaurant is subject to licensing and regulation by a number of governmental authorities, which include zoning, health, safety, sanitation, building and fire agencies in the state or municipality in which the restaurant is located. Difficulties in obtaining, or the failure to obtain, required licenses or approvals could delay or prevent the opening of a new restaurant in a particular area. Our QC Centers are licensed and subject to regulation by state and local health and fire codes, and the operation of our trucks is subject to federal and state transportation regulations. We are also subject to federal and state environmental regulations. In addition, our domestic operations are subject to various federal and state laws governing such matters as minimum wage requirements, benefits, working conditions, citizenship requirements, and overtime.

We are subject to Federal Trade Commission ("FTC") regulation and various state laws regulating the offer and sale of franchises. The laws of several states also regulate substantive aspects of the franchisor-franchisee relationship. The FTC requires us to furnish to prospective franchisees a franchise disclosure document containing prescribed information. State laws that regulate the franchisor-franchisee relationship presently exist in a significant number of states, and bills have been introduced in Congress from time to time that would provide for federal regulation of the U.S. franchisor-franchisee relationship in certain respects if such bills were enacted. State laws often limit, among other things, the duration and scope of non-competition provisions and the ability of a franchisor to terminate or refuse to renew a franchise. Some foreign countries also have disclosure requirements and other laws regulating franchising and the franchisor-franchisee relationship. National, state and local government regulations or initiatives, including health care legislation, "living wage," or other current or proposed regulations, and increases in minimum wage rates affect Papa John's as well as others within the restaurant industry. As we expand internationally, we are also subject to applicable laws in each jurisdiction.

We are subject to laws and regulations that require us to disclose calorie content and other specific content of our food, including fat, trans fat, and salt content. A provision of the Patient Protection and Affordable Care Act of 2010 (ACA) requires us and many restaurant companies to disclose calorie information on restaurant menus. The Food and Drug Administration issued final rules to implement this provision, which require restaurants to post the number of calories for most items on menus or menu boards and to make available certain other nutritional information. Government regulation of nutrition disclosure could result in increased costs of compliance and could also impact consumer habits in a way that adversely impacts sales at our restaurants. For further information regarding governmental regulation, see Item 1A. Risk Factors.

Trademarks, Copyrights and Domain Names

Our intellectual property rights are a significant part of our business. We have registered and continue to maintain federal registrations through the United States Patent and Trademark Office (the "USPTO") for the marks PAPA JOHN'S, PIZZA PAPA JOHN'S & Design (our logo), BETTER INGREDIENTS. BETTER PIZZA., PIZZA PAPA JOHN'S BETTER INGREDIENTS. BETTER PIZZA., PIZZA PAPA JOHN'S BETTER INGREDIENTS. BETTER PIZZA. & Design, and PAPA REWARDS. We also own federal registrations through the USPTO for several ancillary marks, principally advertising slogans. Moreover, we have registrations for and/or have applied for PIZZA PAPA JOHN'S & Design in more than 100 foreign countries and the European Community, in addition to international registrations for PAPA JOHN'S and PIZZA PAPA JOHN'S BETTER INGREDIENTS. BETTER PIZZA. & Design in various foreign countries. From time to time, we are made aware of the use by other persons in certain geographical areas of names and marks that are the same as or substantially similar to our marks. It is our policy to pursue registration of our marks whenever possible and to vigorously oppose any infringement of our marks.

We hold copyrights in authored works used in our business, including advertisements, packaging, training, website, and promotional materials. In addition, we have registered and maintain Internet domain names, including "papajohns.com," and approximately 83 country code domains patterned as papajohns.cc, or a close variation thereof, with ".cc" representing a specific country code.

Employees

As of December 30, 2018, we employed approximately 18,000 persons, of whom approximately 15,400 were restaurant team members, approximately 700 were restaurant management personnel, approximately 700 were corporate personnel and approximately 1,200 were QC Center and Preferred personnel. Most restaurant team members work part-time and are paid on an hourly basis. None of our team members are covered by a collective bargaining agreement. We consider our team member relations to be good.

Item 1A. Risk Factors

We are subject to risks that could have a negative effect on our business, financial condition and results of operations. These risks could cause actual operating results to differ from those expressed in certain "forward looking statements" contained in this Form 10-K as well as in other Company communications. Before you invest in our securities, you should carefully consider the following risk factors together with all other information included in this Form 10-K and our other publicly filed documents.

We have recently experienced negative publicity and consumer sentiment as a result of statements by the Company's founder and former spokesperson, John H. Schnatter, which may continue to negatively impact our results of operations.

In July 2018, the Company was the subject of significant negative media reports as a result of certain statements by Mr. Schnatter, who resigned as Chairman of the Board on July 11, 2018. The negative media continued throughout the third quarter of 2018, and the resultant negative consumer sentiment continued throughout the remainder of the 2018 fiscal year.

As a result of the recent negative publicity and consumer sentiment, the Company has experienced a decline in sales and operating profits. This decline may continue if the negative consumer sentiment toward the Company continues or worsens. If Mr. Schnatter makes further statements that create controversy or harm the Company's reputation, it may take longer for our sales and consumer perception of our brand to improve.

We will incur costs related to addressing and remediating the impact of recent negative publicity surrounding our brand as a result of John H. Schnatter, which will adversely impact our financial performance.

In connection with the controversy surrounding Mr. Schnatter, a Special Committee of the Board of Directors, consisting of all of the independent directors, was formed to evaluate and take action with respect to all of the Company's relationships and arrangements with Mr. Schnatter. Following its formation, the Special Committee terminated Mr. Schnatter's Founder Agreement, which defined his role in the Company, among other things, as advertising and brand spokesperson for the Company.

In connection with these and other actions, the Company has incurred and expects to continue to incur significant non-recurring costs in 2019, including costs related to branding initiatives, marketing and advertising expenses and increased professional fees. In addition, the Company materially increased its franchisee financial assistance in 2018 in an effort to mitigate store closings, and expects to continue some additional level of assistance in 2019. These costs and any additional costs we may incur to support these initiatives are expected to adversely affect our profitability and financial performance. There is no guarantee that our actions will be effective in attracting customers back to our restaurants and mitigating negative sales trends.

The recent negative publicity has had and may continue to have a negative impact on our business, and may have a long-term effect on our relationships with our customers, partners and franchisees.

Our business and reputation has been negatively affected by the recent negative publicity resulting from Mr. Schnatter's statements. If we are unable to rebuild the trust of our customers, franchisees, business partners and suppliers, and if further negative publicity continues, we could experience a substantial negative impact on our business. We have experienced claims and litigation as a consequence of these matters, including a shareholder class action in connection with a decline in our stock price and litigation with Mr. Schnatter. Related legal expenses of defending these claims have negatively impacted our operating results. Continuing higher legal fees, potential new claims, liabilities from existing cases and continuing negative publicity could continue to have a negative impact on operating results.

We have experienced declining sales, and we cannot assure that we will be able to halt or reverse the decline.

Our system-wide North America and International comparable sales declined on a year-over-year basis in 2018. The Company's revenues and profitability growth depend on the ability to increase comparable restaurant sales, and it is uncertain whether this will occur or could take longer than expected.

Our Board of Directors has adopted a limited duration stockholder rights agreement, which could delay or discourage a merger, tender offer, or assumption of control of the Company not approved by our Board of Directors.

On July 22, 2018, the Board of Directors approved the adoption of a limited duration stockholder rights plan (the "Rights Plan") with an expiration date of July 22, 2019 and an ownership trigger threshold of 15% (with a threshold of 31% applied to John H. Schnatter, together with his affiliates and family members). In connection with the Rights Plan, the Board of Directors authorized and declared a dividend to stockholders of record at the close of business on August 2, 2018 of one preferred share purchase right (a "Right") for each outstanding share of common stock of the Company. Upon certain triggering events, each Right entitles the holder to purchase from the Company one one-thousandth (subject to adjustment) of one share of Series A Junior Participating Preferred Stock, $0.01 par value per share ("Preferred Stock") of the Company at an exercise price of $250.00 (the "Exercise Price") per one one-thousandth of a share of Preferred Stock. In addition, if a person or group acquires beneficial ownership of 15% or more of the Company's common stock (or in the case of Mr. Schnatter, 31% or more, and in the case of funds affiliated with Starboard Value LP, additional shares in excess of those issuable upon conversion of their Series B Convertible Preferred Stock) without prior board approval, each holder of a Right (other than the acquiring person or group whose Rights will become void) will have the right to purchase, upon payment of the Exercise Price and in accordance with the terms of the Rights Plan, a number of shares of the Company's common stock having a market value of twice the Exercise Price. On March 5, 2019, the Board of Directors extended the term of the Rights Plan to March 6, 2022, increased the ownership trigger threshold at which a person becomes an acquiring person from 15% to 20%, except as set forth above, removed the "acting in concert" provision in response to stockholder feedback, and included a qualifying offer provision as set forth in the Rights Plan.

The Rights Plan is intended to enable all of our stockholders to realize the full potential value of their investment in the Company and to protect the interests of the Company and its stockholders by reducing the likelihood that any person or group gains control of the Company through open market accumulation or other tactics without paying an appropriate control premium. The Rights Plan could render more difficult, or discourage, a merger, tender offer, or assumption of control of the Company that is not approved by our Board of Directors. The Rights Plan, however, should not interfere with any merger, tender or exchange offer or other business combination approved by our Board of Directors. In addition, the Rights Plan does not prevent our Board of Directors from considering any offer that it considers to be in the best interest of the Company's stockholders.

Our profitability may suffer as a result of intense competition in our industry.

The QSR Pizza industry is mature and highly competitive. Competition is based on price, service, location, food quality, brand recognition and loyalty, product innovation, effectiveness of marketing and promotional activity, use of technology, and the ability to identify and satisfy consumer preferences. We may need to reduce the prices for some of our products to respond to competitive and customer pressures, which may adversely affect our profitability. When commodity and other costs increase, we may be limited in our ability to increase prices. With the significant level of competition and the pace of innovation, we may be required to increase investment spending in several areas, particularly marketing and technology, which can decrease profitability.

In addition to competition with our larger and more established competitors, we face competition from new competitors such as fast casual pizza concepts. We also face competitive pressures from an array of food delivery concepts and aggregators delivering for quick service or dine in restaurants, using new delivery technologies, some of which may have more effective marketing. The emergence or growth of new competitors, in the pizza category or in the food service industry generally, may make it difficult for us to maintain or increase our market share and could negatively impact our sales and our system-wide restaurant operations. We also face increasing competition from other home delivery services and grocery stores that offer an increasing variety of prepped or prepared meals in response to consumer demand. As a result, our sales can be directly and negatively impacted by actions of our competitors, the emergence or growth of new competitors, consumer sentiment or other factors outside our control.

One of our competitive strengths is our "BETTER INGREDIENTS. BETTER PIZZA." brand promise. This means we may use ingredients that cost more than the ingredients some of our competitors may use. Because of our investment in higher-quality ingredients and our focus on a "clean label", we could have lower profit margins than some of our competitors if we are not able to establish a quality differentiator that resonates with consumers. Our sales may be particularly impacted as competitors increasingly emphasize lower-cost menu options.

Changes in consumer preferences or discretionary consumer spending could adversely impact our results.

Changes in consumer preferences and trends (for example, changes in consumer perceptions of certain ingredients that could cause consumers to avoid pizza or some of its ingredients in favor of foods that are or are perceived as healthier, lower-calorie, or lower in carbohydrate or otherwise based on their ingredients or nutritional content). Preferences for a dining experience such as fast casual pizza concepts, could also adversely affect our restaurant business and reduce the effectiveness of our marketing and technology initiatives. Also, our success depends to a significant extent on numerous factors affecting consumer confidence and discretionary consumer income and spending, such as general economic conditions, customer sentiment and the level of employment. Any factors that could cause consumers to spend less on food or shift to lower-priced products could reduce sales or inhibit our ability to maintain or increase pricing, which could adversely affect our operating results.

Food safety and quality concerns may negatively impact our business and profitability.

Incidents or reports of food- or water-borne illness or other food safety issues, investigations or other actions by food safety regulators, food contamination or tampering, employee hygiene and cleanliness failures, improper franchisee or employee conduct, or presence of communicable disease at our restaurants (Company-owned and franchised), QC Centers, or suppliers could lead to product liability or other claims. If we were to experience any such incidents or reports, our brand and reputation could be negatively impacted. This could result in a significant decrease in customer traffic and could negatively impact our revenues and profits. Similar incidents or reports occurring at quick service restaurants unrelated to us could likewise create negative publicity, which could negatively impact consumer behavior towards us.

We rely on our domestic and international suppliers, as do our franchisees, to provide quality ingredients and to comply with applicable laws and industry standards. A failure of one of our domestic or international suppliers to meet our quality standards, or meet domestic or international food industry standards, could result in a disruption in our supply chain and negatively impact our brand and our results.

Failure to preserve the value and relevance of our brand could have a negative impact on our financial results.

Our results depend upon our ability to differentiate our brand and our reputation for quality. Damage to our brand or reputation could negatively impact our business and financial results. Our brand has been highly rated in U.S. surveys, and we strive to build the value of our brand as we develop international markets. As we experienced in 2018, the value of our brand and demand for our products could be damaged by any incidents that harm consumer perceptions of the Company, including negative publicity and consumer sentiment.

To be successful in the future, we must work to overcome the negative publicity we experienced in 2018, and preserve, enhance and leverage the value of our brand. Consumer perceptions of our brand are affected by a variety of factors, such as the nutritional content and preparation of our food, the quality of the ingredients we use, our corporate culture, our policies and systems related to diversity, equity and inclusion, our business practices and the manner in which we source the commodities we use. Consumer acceptance of our offerings is subject to change for a variety of reasons, and some changes can occur rapidly. Consumer perceptions may also be affected by third parties presenting or promoting adverse commentary or portrayals of our industry, our brand, our suppliers or our franchisees. If we are unsuccessful in managing incidents that erode consumer trust or confidence, particularly if such incidents receive considerable publicity or result in litigation, our brand value and financial results could be negatively impacted.

Our inability or failure to recognize, respond to and effectively manage the accelerated impact of social media could adversely impact our business.

In recent years, there has been a marked increase in the use of social media platforms, including blogs, chat platforms, social media websites, and other forms of internet-based communications that allow individuals access to a broad audience of consumers and other persons. The rising popularity of social media and other consumer-oriented technologies has increased the speed and accessibility of information dissemination. The dissemination of negative information via social media could harm our business, brand, reputation, marketing partners, financial condition, and results of operations, regardless of the information's accuracy.

In addition, we frequently use social media to communicate with consumers and the public in general. Failure to use social media effectively could lead to a decline in brand value and revenue. Other risks associated with the use of social media include improper disclosure of proprietary information, negative comments about our brand, exposure of personally identifiable information, fraud, hoaxes or malicious dissemination of false information.

We may not be able to effectively market our products or maintain key marketing partnerships.

The success of our business depends on the effectiveness of our marketing and promotional plans, and in particular on the success of our efforts to relaunch our brand following the negative publicity we experienced in 2018. We may not be able to effectively execute our national or local marketing plans, particularly if lower sales continue to result in reduced levels of marketing funds. Additionally, our recent launch of an enhanced rewards program to help increase sales may not meet our expectations and could lower profitability. Our marketing strategy historically centered around the Company's founder as brand spokesperson, and Mr. Schnatter's removal as brand spokesperson in 2018 created the need for a new marketing strategy. We have also historically utilized relationships with well-known sporting events, professional teams and certain universities to market our products. The negative publicity we experienced in 2018 caused the loss of certain sports and university partnerships, and our business could continue to suffer if we are not able to create a compelling marketing strategy, or maintain or grow key marketing relationships and sponsorships, or if we are unable to do so at a reasonable cost.

Our business will continue to require additional investments in alternative marketing strategies to address the challenges we faced in 2018. In 2018, we engaged a new advertising agency and introduced a new advertising campaign to focus the consumer's attention on the core values of our brand. We expect to continue to invest in marketing to support the relaunch of our brand. If these efforts are not effective in increasing sales, we may be required to expend additional funds to effectively improve consumer sentiment and sales, and we may also be required to engage in additional activities to retain customers or attract new customers to the brand. Such marketing expenses and promotional activities, which could include discounting our products, could adversely impact our results.

Persons or marketing partners who endorse our products could take actions that harm their reputations, which could also cause harm to our brand. From time to time, in response to changes in the business environment and the audience share of marketing channels, we expect to reallocate marketing resources across social media and other channels. That reallocation may not be effective or as successful as the marketing and advertising allocations of our competitors, which could negatively impact the amount and timing of our revenues.

Our franchise business model presents a number of risks.

Our success increasingly relies on the financial success and cooperation of our franchisees, yet we have limited influence over their operations. Our franchisees manage their businesses independently, and therefore are responsible for the day-to-day operation of their restaurants. The revenues we realize from franchised restaurants are largely dependent on the ability of our franchisees to grow their sales. If our franchisees do not experience sales growth, our revenues and margins could be negatively affected as a result. Also, if sales trends worsen for franchisees, especially in emerging markets and/or high cost markets, their financial results may deteriorate, which could result in, among other things, higher levels of required financial support from us, higher numbers of restaurant closures, reduced numbers of restaurant openings, delayed or reduced payments to us, or increased franchisee assistance, which reduces our revenues.

Our success also increasingly depends on the willingness and ability of our franchisees to remain aligned with us on operating, promotional and marketing plans. Franchisees' ability to continue to grow is also dependent in large part on the availability of franchisee funding at reasonable interest rates and may be negatively impacted by the financial markets in general or by the creditworthiness of our franchisees. Our operating performance could also be negatively affected if our franchisees experience food safety or other operational problems or project an image inconsistent with our brand and values, particularly if our contractual and other rights and remedies are limited, costly to exercise or subjected to litigation. If franchisees do not successfully operate restaurants in a manner consistent with our required standards, the brand's image and reputation could be harmed, which in turn could hurt our business and operating results.

The issuance of shares of our Series B Preferred Stock to Starboard and its permitted transferees dilutes the ownership and relative voting power of holders of our common stock and may adversely affect the market price of our common stock.

Pursuant to a Securities Purchase Agreement (the "Securities Purchase Agreement") among the Company and certain funds affiliated with or managed by Starboard Value LP ("Starboard"), the Company sold 200,000 shares of our newly designated Series B Convertible Preferred Stock, par value $0.01 per share (the "Series B Preferred Stock") to Starboard on February 3, 2019 (the "Closing"), with Starboard having the option to purchase up to an additional 50,000 shares of Series B Preferred Stock on or prior to March 29, 2019.

The initial shares sold to Starboard at the Closing represent approximately 11% of our outstanding common stock on an as-converted basis, and would represent in the aggregate an estimated 14% of our outstanding common stock on an as-converted basis assuming Starboard exercised in full their option to purchase an additional 50,000 shares of Series B Preferred Stock. The Series B Preferred Stock is convertible at the option of the holders at any time into shares of common stock based on the conversion rate determined by dividing $1,000, the stated value of the Series B Preferred Stock, by $50.06.

Because holders of our Series B Preferred Stock are entitled to vote, on an as-converted basis, together with holders of our common stock on all matters submitted to a vote of the holders of our common stock, the issuance of the Series B Preferred Stock to Starboard effectively reduces the relative voting power of the holders of our common stock.

In addition, the conversion of the Series B Preferred Stock into common stock would dilute the ownership interest of existing holders of our common stock. Furthermore, following expiration of Starboard's one-year lock-up period, any sales in the public market of the common stock issuable upon conversion of the Series B Preferred Stock could adversely affect prevailing market prices of our common stock. We granted Starboard customary registration rights in respect of their shares of Series B Preferred Stock and any shares of common stock issued upon conversion of the Series B Preferred Stock. These registration rights would facilitate the resale of such securities into the public market, and any such resale would increase the number of shares of our common stock available for public trading. Sales by Starboard of a substantial number of shares of our common stock in the public market, or the perception that such sales might occur, could have a material adverse effect on the price of our common stock.

Our Series B Preferred Stock has rights, preferences and privileges that are not held by, and are preferential to, the rights of our common stockholders, which could adversely affect our liquidity and financial condition, result in the interests of Starboard differing from those of our common stockholders and delay or prevent an attempt to take over the Company.

Starboard, as the holder of our Series B Preferred Stock, has a liquidation preference entitling it to be paid, before any payment may be made to holders of our common stock in connection with a liquidation event, an amount per share of Series B Preferred Stock equal to the greater of (i) the stated value thereof plus accrued and unpaid dividends and (ii) the amount that would have been received had such share of Series B Preferred Stock been converted into common stock immediately prior to such liquidation event.

Holders of Series B Preferred Stock are entitled to a preferential cumulative dividend at the rate of 3.6% per annum, payable quarterly in arrears. On the third anniversary of the date of issuance, each holder of Series B Preferred Stock will have the right to increase the dividend on the shares of Series B Preferred Stock held by such holder to 5.6%, and on the fifth anniversary of the date of issuance, each holder will have the right to increase the dividend on the shares of Series B Preferred Stock held by such holder to 7.6% (in each case subject to the Company's right to redeem such shares of Series B Preferred Stock for cash).

The holders of our Series B Preferred Stock also have certain redemption rights or put rights, including the right on any date following November 6, 2026 to require us to repurchase all or any portion of the Series B Preferred Stock. Holders of the Series B Preferred Stock also have the right, subject to certain exceptions, to require us to repurchase all or any portion of the Series B Preferred Stock upon certain change of control events.

These dividend and share repurchase obligations could impact our liquidity and reduce the amount of cash flows available for working capital, capital expenditures, growth opportunities, acquisitions, and other general corporate purposes. Our obligations to Starboard, as the initial holder of our Series B Preferred Stock, could also limit our ability to obtain additional financing or increase our borrowing costs, which could have an adverse effect on our financial condition. The preferential rights could also result in divergent interests between Starboard and holders of our common stock. Furthermore, a sale of our Company, as a change of control event, may require us to repurchase Series B Preferred Stock, which could have the effect of making an acquisition of the Company more expensive and potentially deterring proposed transactions that may otherwise be beneficial to our stockholders.

Starboard may exercise influence over us, including through its ability to designate up to two members of our Board of Directors.

The transaction documents entered into in connection with the sale of the Series B Preferred Stock to Starboard grant to Starboard consent rights with respect to certain actions by us, including:

- amending our organizational documents in a manner that would have an adverse effect on the Series B Preferred Stock;
- issuing securities that are senior to, or equal in priority with, the Series B Preferred Stock; and
- increasing the maximum number of directors on our Board to more than eleven persons or twelve persons, subject to the terms of the Governance Agreement (the "Governance Agreement") entered into in connection with the Securities Purchase Agreement.

The Securities Purchase Agreement also imposes a number of affirmative and negative covenants on us. As a result, Starboard has the ability to influence the outcome of matters submitted for the vote of the holders of our common stock. Starboard and its affiliates are in the business of making or advising on investments in companies, including businesses that may directly or indirectly compete with certain portions of our business, and they may have interests that diverge from, or even conflict with, those of our other stockholders. They may also pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us.

In addition, the terms of the Governance Agreement grant Starboard certain rights to designate directors to be nominated for election by holders of our common stock. For so long as certain criteria set forth in the Governance Agreement are satisfied, including that Starboard beneficially own, in the aggregate, at least (i) 89,264 shares of Series B Preferred Stock or (ii) the lesser of 5.0% of the Company's then-outstanding common stock (on an as-converted basis, if applicable) and 1,783,141 shares of issued and outstanding common stock (subject to adjustment for stock splits, reclassifications, combinations and similar adjustments), Starboard has the right to designate two directors for election to our Board, consisting of one nominee who is affiliated with Starboard and one independent nominee.

The directors designated by Starboard also are entitled to serve on committees of our Board, subject to applicable law and stock exchange rules. Notwithstanding the fact that all directors will be subject to fiduciary duties to us and to applicable law, the interests of the directors designated by Starboard may differ from the interests of our security holders as a whole or of our other directors.

W*e may not be able to raise the funds necessary to finance a required repurchase of our Series B Preferred Stock.*

After November 6, 2026, each holder of Series B Preferred Stock will have the right, upon 90 days' notice, to require the Company to repurchase all or any portion of the Series B Preferred Stock for cash at a price equal to $1,000 per share of Series B Preferred Stock plus all accrued but unpaid dividends. In addition, upon certain change of control events, holders of Series B Preferred Stock can require us, subject to certain exceptions, to repurchase any or all of their Series B Preferred Stock.

It is possible that we would not have sufficient funds to make any required repurchase of Series B Preferred Stock. Moreover, we may not be able to arrange financing, to pay the repurchase price.

We plan to invest proceeds from the sale of Series B Preferred Stock to advance our strategic priorities, and failure to realize the anticipated benefits of these investments could adversely impact our business and financial results.

We plan to use approximately half of the proceeds of Starboard's investment to reduce the outstanding principal amount under our revolving credit facility. The remaining proceeds, combined with the additional borrowing availability under the revolving credit facility as a result of the debt repayment, is expected to provide financial flexibility that enables us to make investments in our business, including investments in our brand, products, technology, human capital and unit economics. However, we may not be able to implement and realize the anticipated benefits from these investments. Events and circumstances, such as financial or unforeseen difficulties, delays and unexpected costs may occur that could result in our not realizing desired outcomes. Any failure to implement the proceeds from the investment in accordance with our expectations could adversely affect our financial results.

Changes in privacy laws could adversely affect our ability to market our products effectively.

We rely on a variety of direct marketing techniques, including email, text messages and postal mailings. Any future restrictions in federal, state or foreign laws regarding marketing and solicitation or domestic or international data protection laws that govern these activities could adversely affect the continuing effectiveness of email, text messages and postal mailing techniques and could force changes in our marketing strategies. If this occurs, we may need to develop alternative marketing strategies, which may not be as effective and could impact the amount and timing of our revenues.

We may not be able to execute our strategy or achieve our planned growth targets, which could negatively impact our business and our financial results.

Our growth strategy depends on our and our franchisees' ability to open new restaurants and to operate them on a profitable basis. We expect substantially all of our international unit growth and much of our domestic unit growth to be franchised units. Accordingly, our profitability increasingly depends upon royalty revenues from franchisees. If our franchisees are not able to operate their businesses successfully under our franchised business model, our results could suffer. Additionally, we may fail to attract new qualified franchisees or existing franchisees may close underperforming locations. Planned growth targets and the ability to operate new and existing restaurants profitably are affected by economic, regulatory and competitive conditions and consumer buying habits. A decrease in sales, such as what we experienced in 2018, or increased commodity or operating costs, including, but not limited to, employee compensation and benefits or insurance costs, could slow the rate of new store openings or increase the number of store closings. Our business is susceptible to adverse changes in local, national and global economic conditions, which could make it difficult for us to meet our growth targets. Additionally, we or our franchisees may face challenges securing financing, finding suitable store locations at acceptable terms or securing required domestic or foreign government permits and approvals. Declines in comparable sales, net store openings and related operating profits significantly impacted our stock price in 2018. If we do not improve future sales and operating results and meet our related growth targets or external expectations for net restaurant openings or our other strategic objectives in the future, our stock price could continue to decline.

Our franchisees remain dependent on the availability of financing to remodel or renovate existing locations, upgrade systems and enhance technology, or construct and open new restaurants. From time to time, the Company may provide financing to certain franchisees and prospective franchisees in order to mitigate store closings, allow new units to open, or complete required upgrades. If we are unable or unwilling to provide such financing, which is a function of, among other things, a franchisee's creditworthiness, the number of new restaurant openings may be slower or the rate of closures may be higher than expected and our results of operations may be adversely impacted. To the extent we provide financing to franchisees, our results could be negatively impacted by negative performance of these franchisee loans.

We may be adversely impacted by increases in the cost of food ingredients and other costs.

We are exposed to fluctuations in commodities. An increase in the cost or sustained high levels of the cost of cheese or other commodities could adversely affect the profitability of our system-wide restaurant operations, particularly if we are unable to increase the selling price of our products to offset increased costs. Cheese, representing our largest food cost, and other commodities can be subject to significant cost fluctuations due to weather, availability, global demand and other factors that are beyond our control. Additionally, increases in labor, mileage, insurance, fuel, and other costs could adversely affect the profitability of our restaurant and QC Center businesses. Most of the factors affecting costs in our system-wide restaurant operations are beyond our control, and we may not be able to adequately mitigate these costs or pass along these costs to our customers or franchisees, given the significant competitive pricing pressures we face.

Our dependence on a sole supplier or a limited number of suppliers for some ingredients could result in disruptions to our business.

Domestic restaurants purchase substantially all food and related products from our QC Centers. We are dependent on Leprino Foods Dairy Products Company ("Leprino") as our sole supplier for cheese, one of our key ingredients. Leprino, one of the major pizza category suppliers of cheese in the United States, currently supplies all of our cheese domestically and substantially all of our cheese internationally. We also depend on a sole source for our supply of certain desserts, which constitutes less than 10% of our domestic Company-owned restaurant sales. While we have no other sole sources of supply for key ingredients or menu items, we do source other key ingredients from a limited number of suppliers. Alternative sources of cheese, desserts, other key ingredients or menu items may not be available on a timely basis or may not be available on terms as favorable to us as under our current arrangements.

Our Company-owned and franchised restaurants could also be harmed by a prolonged disruption in the supply of products from or to our QC Centers due to weather, climate change, natural disasters, crop disease, food safety incidents, regulatory compliance, labor dispute or interruption of service by carriers. In particular, adverse weather or crop disease affecting the California tomato crop could disrupt the supply of pizza sauce to our and our franchisees' restaurants. Insolvency of key suppliers could also cause similar business interruptions and negatively impact our business.

Natural disasters, hostilities, social unrest and other catastrophic events may disrupt our operations or supply chain.

The occurrence of a natural disaster, hostilities, epidemic, cyber-attack, social unrest, terrorist activity or other catastrophic events may result in the closure of our restaurants (Company-owned or franchised), our corporate office, any of our QC Centers or the facilities of our suppliers, and can adversely affect consumer spending, consumer confidence levels and supply availability and costs, any of which could materially adversely affect our results of operations.

Changes in purchasing practices by our domestic franchisees could harm our commissary business.

Although our domestic franchisees currently purchase substantially all food products from our QC Centers, the only required QC Center purchases by franchisees are pizza sauce, dough and other items we may designate as proprietary or integral to our system. Any changes in purchasing practices by domestic franchisees, such as seeking alternative approved suppliers of ingredients or other food products, could adversely affect the financial results of our QC Centers and the Company.

Our current insurance may not be adequate and we may experience claims in excess of our reserves.

Our insurance programs for workers' compensation, owned and non-owned vehicles, general liability, property and team member health insurance coverage are funded by the Company up to certain retention levels, generally ranging from $100,000 to $1 million. These insurance programs may not be adequate to protect us, and it may be difficult or impossible to obtain additional coverage or maintain current coverage at a reasonable cost. We also have experienced increasing claims volatility and higher related costs for workers' compensation, owned and non-owned vehicles and health claims. We estimate loss reserves based on historical trends, actuarial assumptions and other data available to us, but we may not be able to accurately estimate reserves. If we experience claims in excess of our projections, our business could be negatively impacted. Our franchisees could be similarly impacted by higher claims experience, hurting both their operating results and/or limiting their ability to maintain adequate insurance coverage at a reasonable cost.

Our international operations are subject to increased risks and other factors that may make it more difficult to achieve or maintain profitability or meet planned growth rates.

Our international operations could be negatively impacted by volatility and instability in international economic, political, security or health conditions in the countries in which the Company or our franchisees operate, especially in emerging markets. In addition, there are risks associated with differing business and social cultures and consumer preferences. We may face limited availability for restaurant locations, higher location costs and difficulties in franchisee selection and financing. We may be subject to difficulties in sourcing and importing high-quality ingredients (and ensuring food safety) in a cost-effective manner, hiring and retaining qualified team members, marketing effectively and adequately investing in information technology, especially in emerging markets.

Our international operations are also subject to additional risk factors, including import and export controls, compliance with anti-corruption and other foreign laws, difficulties enforcing intellectual property and contract rights in foreign jurisdictions, and the imposition of increased or new tariffs or trade barriers. We intend to continue to expand internationally, which would make the risks related to our international operations more significant over time.

Our international results, which are now completely franchised, depend heavily on the operating capabilities and financial strength of our franchisees. Any changes in the ability of our franchisees to run their stores profitably in accordance with our operating procedures, or to effectively sub franchise stores, could result in brand damage, a higher number of restaurant closures and a reduction in the number of new restaurant openings.

Sales made by our franchisees in international markets and certain loans we provide to such franchisees are denominated in their local currencies, and fluctuations in the U.S. dollar occur relative to the local currencies. Accordingly, changes in currency exchange rates will cause our revenues, investment income and operating results to fluctuate. We have not historically hedged our exposure to foreign currency fluctuations. Our international revenues and earnings may be adversely impacted as the U.S. dollar rises against foreign currencies because the local currency will translate into fewer U.S. dollars. Additionally, the value of certain assets or loans denominated in local currencies may deteriorate. Other items denominated in U.S. dollars including product imports or loans may also become more expensive, putting pressure on franchisees' cash flows.

We are subject to risks associated with the withdrawal of the United Kingdom from the European Union ("Brexit"). In March 2017, the United Kingdom formally notified the European Union of its intention to withdraw, and withdrawal negotiations began in June 2017. European Union rules provide for a two-year negotiation period, ending on March 29, 2019, unless an extension is agreed to by the parties. There remains significant uncertainty about the future relationship between the United Kingdom and the European Union, including the possibility of the United Kingdom leaving the European Union without a negotiated and bilaterally approved withdrawal plan. We have significant operations in both the United Kingdom and the European Union. We depend on the free flow of labor and goods in those regions. The ongoing uncertainty and potential of border controls and customs duties on trade between the United Kingdom and European Union nations could negatively impact our business. The impact of Brexit will depend on the terms of any agreement the United Kingdom and the European Union reach to provide access to markets. As of December 30, 2018, 30.1% of our total international restaurants are in countries within the European Union.

We are subject to debt covenant restrictions.

Our credit agreement, as amended in October 2018, contains affirmative and negative covenants, including financial covenants. If a covenant violation occurs or is expected to occur, we would be required to seek a waiver or amendment from the lenders under the credit agreement. The failure to obtain a waiver or amendment on a timely basis would result in our inability to borrow additional funds or obtain letters of credit under our credit agreement and allow the lenders under our credit agreement to declare our loan obligations due and payable, require us to cash collateralize outstanding letters of credit or increase our interest rate. If any of the foregoing events occur, we would need to refinance our debt, or renegotiate or restructure, the terms of the credit agreement.

With our indebtedness, we may have reduced availability of cash flow for other purposes. Increases in interest rates would also increase our debt service costs and could materially impact our profitability as well as the profitability of our franchisees.

Current debt levels under our existing credit facility may reduce available cash flow to plan for or react to business changes, changes in the industry or any general adverse economic conditions. Under our credit facility, we are exposed to variable interest rates. We have entered into interest rate swaps that fix a significant portion of our variable interest rate risk. However, by using a derivative instrument to hedge exposures to changes in interest rates, we also expose ourselves to credit risk. Credit risk is due to the possible failure of the counterparty to perform under the terms of the derivative contract.

Higher inflation, and a related increase in costs, including rising interest rates, could also impact our franchisees and their ability to open new restaurants or operate existing restaurants profitably.

Increasingly complex laws and regulations could adversely affect our business.

We operate in an increasingly complex regulatory environment, and the cost of regulatory compliance is increasing. Our failure, or the failure of any of our franchisees, to comply with applicable U.S. and international labor, health care, food, health and safety, consumer protection, anti-bribery and corruption, competition, environmental and other laws may result in civil and criminal liability, damages, fines and penalties. Enforcement of existing laws and regulations, changes in legal requirements, and/or evolving interpretations of existing regulatory requirements may result in increased compliance costs and create other obligations, financial or otherwise, that could adversely affect our business, financial condition or operating results. Increased regulatory scrutiny of food matters and product marketing claims, and increased litigation and enforcement actions may increase compliance and legal costs and create other obligations that could adversely affect our business, financial condition or operating results. Governments may also impose requirements and restrictions that impact our business. For example, some local government agencies have implemented ordinances that restrict the sale of certain food or drink products.

Compliance with new or additional domestic and international government laws or regulations, including the European Union General Data Protection Regulation ("GDPR"), which became effective in May 2018 could increase costs for compliance. These laws and regulations are increasing in complexity and number, change frequently and increasingly conflict among the various countries in which we operate, which has resulted in greater compliance risk and costs. If we fail to comply with these laws or regulations, we could be subject to reputational damage and significant litigation, monetary damages, regulatory enforcement actions or fines in various jurisdictions. For example, a failure to comply with the GDPR could result in fines up to the greater of €20 million or 4% of annual global revenues.

Higher labor costs and increased competition for qualified team members increase the cost of doing business and ensuring adequate staffing in our restaurants. Additionally, changes in employment and labor laws, including health care legislation and minimum wage increases, could increase costs for our system-wide operations.

Our success depends in part on our and our franchisees' ability to recruit, motivate and retain a qualified workforce to work in our restaurants in an intensely competitive environment. Increased costs associated with recruiting, motivating and retaining qualified employees to work in Company-owned and franchised restaurants have had a negative impact on our Company-owned restaurant margins and the margins of franchised restaurants. Competition for qualified drivers also continues to increase as more companies compete for drivers or enter the delivery space, including third party aggregators. Additionally, economic actions, such as boycotts, protests, work stoppages or campaigns by labor organizations, could adversely affect us (including our ability to recruit and retain talent) or our franchisees and suppliers whose performance may have a material impact on our results. Social media may be used to foster negative perceptions of employment with our Company in particular or in our industry generally, and to promote strikes or boycotts.

We are also subject to federal, state and foreign laws governing such matters as minimum wage requirements, overtime compensation, benefits, working conditions, citizenship requirements and discrimination and family and medical leave. Labor costs and labor-related benefits are primary components in the cost of operation of our restaurants and QC Centers. Labor shortages, increased employee turnover and health care mandates could increase our system-wide labor costs.

A significant number of hourly personnel are paid at rates close to the federal and state minimum wage requirements. Accordingly, the enactment of additional state or local minimum wage increases above federal wage rates or regulations related to exempt employees has increased and could continue to increase labor costs for our domestic system-wide operations.

The Affordable Care Act, enacted in 2010, requires employers such as us to provide health insurance for all qualifying employees in the United States or pay penalties for not providing coverage. We, like other industry competitors, are complying with the law and are providing more extensive health benefits to employees than we had previously provided, and are subsidizing a larger portion of their insurance premiums. These additional costs, or costs related to future healthcare regulation, could negatively impact our operational results. In addition, our franchisees subject to the ACA or future healthcare legislation could face additional cost pressures from compliance with the legislation, which could reduce their future expansion of units.

We depend on the continued service and availability of key management personnel, and failure to successfully execute succession planning and attract talented team members could harm our Company and brand.

Effective January 1, 2018, the Company appointed Steve Richie to serve as Chief Executive Officer, succeeding Mr. Schnatter in that role. In addition to the Chief Executive Officer succession at the beginning of 2018, we executed a significant management reorganization in the fall of 2018 to drive the future growth of the Company. If the new management team is not successful in executing our strategy, our operating results and prospects for future growth may be adversely impacted. Failure to effectively identify, develop and retain other key personnel, recruit high-quality candidates and ensure smooth management and personnel transitions could also disrupt our business and adversely affect our results.

The concentration of stock ownership with Mr. Schnatter may influence the outcome of certain matters requiring stockholder approval.

The concentration of stock ownership by Mr. Schnatter allows him to substantially influence the outcome of certain matters requiring stockholder approval. Mr. Schnatter's beneficial ownership is approximately 31% of our outstanding common stock. As a result, he may be able to substantially influence the strategic direction of the Company and the outcome of matters requiring approval by our stockholders, and the interests of Mr. Schnatter may differ from the interests of our stockholders as a whole.

We rely on information technology to operate our businesses and maintain our competitiveness, and any failure to invest in or adapt to technological developments or industry trends could harm our business.

We rely heavily on information systems, including digital ordering solutions, through which over half of our domestic sales originate. We also rely heavily on point-of-sale processing in our Company-owned and franchised restaurants for data collection and payment systems for the collection of cash, credit and debit card transactions, and other processes and procedures. Our ability to efficiently and effectively manage our business depends on the reliability and capacity of these technology systems. In addition, we anticipate that consumers will continue to have more options to place orders digitally, both domestically and internationally. We plan to invest some of the proceeds from Starboard's investment into enhancing and improving the functionality and features of our information technology systems. However, we cannot ensure that this initiative will be beneficial to the extent, or within the timeframes, expected or that the estimated improvements will be realized as anticipated or at all. Our failure to adequately invest in new technology, adapt to technological developments and industry trends, particularly our digital ordering capabilities, could result in a loss of customers and related market share. Notwithstanding adequate investment in new technology, our marketing and technology initiatives may not be successful in improving our comparable sales results. Additionally, we are in an environment where the technology life cycle is short and consumer technology demands are high, which requires continued reinvestment in technology which will increase the cost of doing business and will increase the risk that our technology may not be customer centric or could become obsolete, inefficient or otherwise incompatible with other systems.

We rely on our international franchisees to maintain their own point-of-sale and online ordering systems, which are often purchased from third-party vendors, potentially exposing international franchisees to more operational risk, including cyber and data privacy risks and governmental regulation compliance risks.

Disruptions of our critical business or information technology systems could harm our ability to compete and conduct our business.

Our critical business and information technology systems could be damaged or interrupted by power loss, various technological failures, user errors, cyber-attacks, sabotage or acts of God. In particular, the Company and our franchisees may experience occasional interruptions of our digital ordering solutions, which make online ordering unavailable or slow to respond, negatively impacting sales and the experience of our customers. If our digital ordering solutions do not perform with adequate speed and security, our customers may be less inclined to return to our digital ordering solutions.

Part of our technology infrastructure, such as our domestic FOCUS point-of-sale system, is specifically designed for us and our operational systems, which could cause unexpected costs, delays or inefficiencies when infrastructure upgrades are needed or prolonged and widespread technological difficulties occur. Significant portions of our technology infrastructure, particularly in our digital ordering solutions, are provided by third parties, and the performance of these systems is largely beyond our control. Failure of our third-party systems and backup systems to adequately perform, particularly as our online sales grow, could harm our business and the satisfaction of our customers. Such third-party systems could be disrupted either through system failure or if third party vendor patents and contractual agreements do not afford us protection against similar technology. In addition, we may not have or be able to obtain adequate protection or insurance to mitigate the risks of these events or compensate for losses related to these events, which could damage our business and reputation and be expensive and difficult to remedy or repair.

We rely on third parties for certain business processes and services, and failure or inability of such third-party vendors to perform subjects us to risks, including business disruption and increased costs.

We depend on suppliers and other third parties to operate our business. Some third-party business processes we utilize include information technology, gift card authorization and processing, other payment processing, benefits, and other accounting and business services. We conduct third-party due diligence and seek to obtain contractual assurance that our vendors will maintain adequate controls, such as adequate security against data breaches. However, the failure of our suppliers to maintain adequate controls or comply with our expectations and standards could have a material adverse effect on our business, financial condition, and operating results.

Failure to maintain the integrity of internal or customer data could result in damage to our reputation, loss of sales, and/or subject us to litigation, penalties or significant costs.

We are subject to a number of privacy and data protection laws and regulations. Our business requires the collection and retention of large volumes of internal and customer data, including credit card data and other personally identifiable information of our employees and customers housed in the various information systems we use. Constantly changing information security threats, particularly persistent cyber security threats, pose risks to the security of our systems and networks, and the confidentiality, availability and integrity of our data and the availability and integrity of our critical business functions. As techniques used in cyber-attacks evolve, we may not be able to timely detect threats or anticipate and implement adequate security measures. The integrity and protection of the customer, employee, franchisee and Company data are critical to us. Our information technology systems and databases, and those provided by our third-party vendors, including international vendors, have been and will continue to be subject to computer viruses, malware attacks, unauthorized user attempts, phishing and denial of service and other malicious cyber-attacks. The failure to prevent fraud or security breaches or to adequately invest in data security could harm our business and revenues due to the reputational damage to our brand. Such a breach could also result in litigation, regulatory actions, penalties, and other significant costs to us and have a material adverse effect on our financial results. These costs could be significant and well in excess of our cyber insurance coverage.

We have been and will continue to be subject to various types of investigations and litigation, including collective and class action litigation, which could subject us to significant damages or other remedies.

We are subject to the risk of investigations and litigation from various parties, including vendors, customers, franchisees, state and federal agencies, stockholders and employees. From time to time, we are involved in a number of lawsuits, claims, investigations, and proceedings consisting of securities, intellectual property, employment, consumer, personal injury, corporate governance, commercial and other matters arising in the ordinary course of business.

We have been subject to claims in cases containing collective and class action allegations. Plaintiffs in these types of lawsuits often seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss and defense costs relating to such lawsuits may not be accurately estimated. Litigation trends involving the relationship between franchisors and franchisees, personal injury claims, employment law and intellectual property may increase our cost of doing business. We evaluate all of the claims and proceedings involving us to assess the expected outcome, and where possible, we estimate the amount of potential losses to us. In many cases, particularly collective and class action cases, we may not be able to estimate the amount of potential losses and/or our estimates may prove to be insufficient. These assessments are made by management based on the information available at the time made and require the use of a significant amount of judgment, and actual outcomes or losses may materially differ. Regardless of whether any claims against us are valid, or whether we are ultimately held liable, such litigation may be expensive to defend and may divert resources away from our operations and negatively impact earnings. Further, we may not be able to obtain adequate insurance to protect us from these types of litigation matters or extraordinary business losses.

We may be subject to harassment or discrimination claims and legal proceedings. Although our Code of Ethics and Business Conduct policies prohibit harassment and discrimination in the workplace, in sexual or in any other form, we have ongoing programs for workplace training and compliance, and we investigate and take disciplinary action with respect to alleged violations, actions by our team members could violate those policies. Franchisees and suppliers are also required to comply with all applicable laws and govern themselves with integrity. Any violations (or perceptions thereof) by our franchisees or suppliers could have a negative impact on consumer perceptions of us and our business and create reputational or other harm to the Company.

We may not be able to adequately protect our intellectual property rights, which could negatively affect our results of operations.

We depend on the Papa John's brand name and rely on a combination of trademarks, service marks, copyrights, and similar intellectual property rights to protect and promote our brand. We believe the success of our business depends on our continued ability to exclusively use our existing marks to increase brand awareness and further develop our brand, both domestically and abroad. We may not be able to adequately protect our intellectual property rights, and we may be required to pursue litigation to prevent consumer confusion and preserve our brand's high-quality reputation. Litigation could result in high costs and diversion of resources, which could negatively affect our results of operations, regardless of the outcome.

We may be subject to impairment charges.

Impairment charges are possible due to the nature and timing of decisions we make about underperforming assets or markets, or if previously opened or acquired restaurants perform below our expectations. This could result in a decrease in our reported asset value and reduction in our net income.

We operate globally and changes in tax laws could adversely affect our results.

We operate globally and changes in tax laws could adversely affect our results. We have international operations and generate substantial revenues and profits in foreign jurisdictions. The domestic and international tax environments continue to evolve as a result of tax changes in various jurisdictions in which we operate and changes in the tax laws in certain countries, including the United States, could impact our future net income.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 30, 2018, there were 5,303 Papa John's restaurants system-wide. The following tables provide the locations of our restaurants. We define "North America" as the United States and Canada and "domestic" as the contiguous United States.

North America Restaurants:

	Company	Franchised	Total
Alabama	3	78	81
Alaska	—	11	11
Arizona	—	75	75
Arkansas	—	25	25
California	—	195	195
Colorado	—	50	50
Connecticut	—	8	8
Delaware	—	17	17
District of Columbia	—	10	10
Florida	63	225	288
Georgia	100	71	171
Hawaii	—	14	14
Idaho	—	13	13
Illinois	8	85	93
Indiana	43	92	135
Iowa	—	24	24
Kansas	16	18	34
Kentucky	46	66	112
Louisiana	—	59	59
Maine	—	3	3
Maryland	59	41	100
Massachusetts	—	12	12
Michigan	—	43	43
Minnesota	—	40	40
Mississippi	—	28	28
Missouri	42	31	73
Montana	—	9	9
Nebraska	—	14	14
Nevada	—	24	24
New Hampshire	—	3	3
New Jersey	—	52	52
New Mexico	—	16	16
New York	—	81	81
North Carolina	102	78	180
North Dakota	—	9	9
Ohio	—	162	162
Oklahoma	—	40	40
Oregon	—	16	16
Pennsylvania	—	85	85
Rhode Island	—	4	4
South Carolina	9	68	77
South Dakota	—	13	13
Tennessee	33	79	112
Texas	95	209	304
Utah	—	30	30
Vermont	—	1	1
Virginia	26	119	145
Washington	—	48	48
West Virginia	—	22	22
Wisconsin	—	28	28
Wyoming	—	10	10
Total U.S. Papa John’s Restaurants	645	2,554	3,199
Canada	—	138	138
Total North America Papa John’s Restaurants	645	2,692	3,337

International Restaurants:

	Franchised
Azerbaijan	6
Bahamas	2
Bahrain	20
Belarus	15
Bolivia	5
Cayman Islands	2
Chile	87
China	209
Colombia	46
Costa Rica	24
Cyprus	8
Dominican Republic	18
Ecuador	17
Egypt	49
El Salvador	25
France	3
Guam	3
Guatemala	13
Iraq	1
Ireland	78
Israel	4
Kazakhstan	3
Korea	149
Kuwait	41
Kyrgyzstan	3
Mexico	101
Morocco	6
Netherlands	18
Nicaragua	4
Oman	9
Panama	12
Peru	41
Philippines	18
Poland	6
Puerto Rico	27
Qatar	21
Russia	199
Saudi Arabia	27
Spain	72
Trinidad	7
Tunisia	6
Turkey	62
United Arab Emirates	45
United Kingdom	415
Venezuela	39
Total International Papa John's Restaurants	1,966

Note: Company-owned Papa John's restaurants include restaurants owned by majority-owned subsidiaries. There were 183 such restaurants at December 30, 2018 (59 in Maryland, 95 in Texas, 26 in Virginia, and 3 in Georgia).

Most Papa John's Company-owned restaurants are located in leased space. The initial term of most domestic restaurant leases is generally five years with most leases providing for one or more options to renew for at least one additional term.

Generally, the leases are triple net leases, which require us to pay all or a portion of the cost of insurance, taxes and utilities. As a result of assigning our interest in obligations under property leases as a condition of the refranchising of certain restaurants, we are also contingently liable for payment of approximately 124 domestic leases.

Nine of our 12 North America QC Centers are located in leased space. Our remaining three locations are in buildings we own. Additionally, our corporate headquarters and our printing operations located in Louisville, KY are in buildings owned by us.

At December 30, 2018, we leased and subleased 344 Papa John's restaurant sites to franchisees in the United Kingdom. The initial lease terms on the franchised sites in the United Kingdom are generally 10 to 15 years. The initial lease terms of the franchisee subleases are generally five to ten years. We own a full-service QC Center in the United Kingdom.

Item 3. Legal Proceedings

The Company is involved in a number of lawsuits, claims, investigations and proceedings, consisting of intellectual property, employment, consumer, commercial and other matters arising in the ordinary course of business. In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 450, "Contingencies," the Company has made accruals with respect to these matters, where appropriate, which are reflected in the Company's Consolidated Financial Statements. We review these provisions at least quarterly and adjust these provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. We also are involved in litigation with our founder, John H. Schnatter, and are a defendant in a securities class action lawsuit. See "Note 19" of "Notes to Consolidated Financial Statements" for additional information.

Item 4. Mine Safety Disclosures

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below are the current executive officers of Papa John's:

Name	Age (a)	Position	First Elected Executive Officer	Years of Service
Steve M. Ritchie	44	President and Chief Executive Officer	2012	23
Michael R. Nettles	52	Executive Vice President, Chief Operating and Growth Officer	2018	2
Joseph H. Smith	55	Senior Vice President, Chief Financial Officer	2018	18
Marvin Boakye	45	Chief People Officer	2019	-
Caroline Miller Oyler	53	Senior Vice President, Chief Legal and Risk Officer	2018	19
Jack H. Swaysland	54	Senior Vice President, Chief Operating Officer – International	2018	12

(a) Ages are as of January 1, 2019.

Steve M. Ritchie was appointed President and Chief Executive Officer effective January 1, 2018 and was appointed to serve on the Board of Directors effective February 4, 2019. He served as President and Chief Operating Officer from July 2015 to December 31, 2017, after serving as Senior Vice President and Chief Operating Officer since May 2014. Mr. Ritchie served as a Senior Vice President since December 2010 and in various capacities of increasing responsibility over Global Operations & Global Operations Support and Training since July 2010. Since 2006, he also has served as a franchise owner and operator of multiple units in the Company's Midwest Division.

Michael R. Nettles was appointed Executive Vice President, Chief Operating and Growth Officer in October 2018 after serving as Senior Vice President, Chief Information and Digital officer since February 2017. Prior to February 2017, Mr. Nettles served for four years with Panera Bread serving as Vice President, Architecture and Information Technology Strategy. Prior to Panera, Mr. Nettles served as Vice President of Tag Solutions for Goji Food Solutions from April 2011 until July of 2012 and concurrently as Founder and President of Red Chair Ventures, a foodservice technology solutions provider from January 2009 until July of 2012.

Joseph H. Smith was appointed to Senior Vice President, Chief Financial Officer in April 2018 after serving as the Company's Senior Vice President, Global Sales and Development from 2016 to April 2018 and as Vice President, Global Sales and Development from 2010 to 2016. Mr. Smith served as Vice President of Corporate Finance from 2005 to 2010 and as Senior Director of Corporate Budgeting and Finance from 2000 to 2005. Prior to joining Papa John's, Mr. Smith served as Corporate Controller for United Catalysts, Inc. from 1998 to 2000. Mr. Smith began his career in public accounting in 1985 at Ernst & Young. Mr. Smith is a licensed Certified Public Accountant.

Marvin Boakye was appointed Chief People Officer in January 2019. He joined Papa John's after serving as the Vice President Human Resources for Andeavor (which was acquired by Marathon Petroleum) from March 2017. From June 2015 to March 2017, Mr. Boakye served as Chief Human Resources Officer for MTS Allstream Inc., a Canadian telecommunications company. From January 2010 to June 2015, he worked for The Goodyear Tire & Rubber Company as Director Human Resources Latin America.

Caroline Miller Oyler was appointed Senior Vice President, Chief Legal and Risk Officer in October 2018. Ms. Oyler previously served as Senior Vice President, Chief Legal Officer from May 2018 to October 2018 and Senior Vice President, General Counsel from May 2014 to May 2018. Additionally, Ms. Oyler served as Senior Vice President, Legal Affairs from November 2012 to May 2014 and as Vice President and Senior Counsel since joining the Company's legal department in 1999. She also served as interim head of Human Resources from December 2008 to September 2009. Prior to joining Papa John's, Ms. Oyler practiced law with the firm Wyatt, Tarrant and Combs LLP.

Jack H. Swaysland was appointed to Chief Operating Officer – International in May 2018 after serving as Senior Vice President, International since April 2016. Mr. Swaysland previously served as Vice President, International from April 2015 to April 2016, Regional Vice President, International from May 2013 to April 2015, and Vice President, International Operations from April 2010 to May 2013. Mr. Swaysland has served in various capacities of increasing responsibility in International Operations since joining the Company 12 years ago.

There are no family relationships between any of the directors or executive officers of the Company.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock trades on The NASDAQ Global Select Market tier of The NASDAQ Stock Market under the symbol PZZA. As of March 4, 2019, there were 1,054 record holders of common stock. However, there are significantly more beneficial owners of our common stock than there are record holders.

Our Board of Directors declared a quarterly dividend of $0.225 per share on January 30, 2019, that was payable on February 22, 2019, to shareholders of record at the close of business on February 11, 2019.

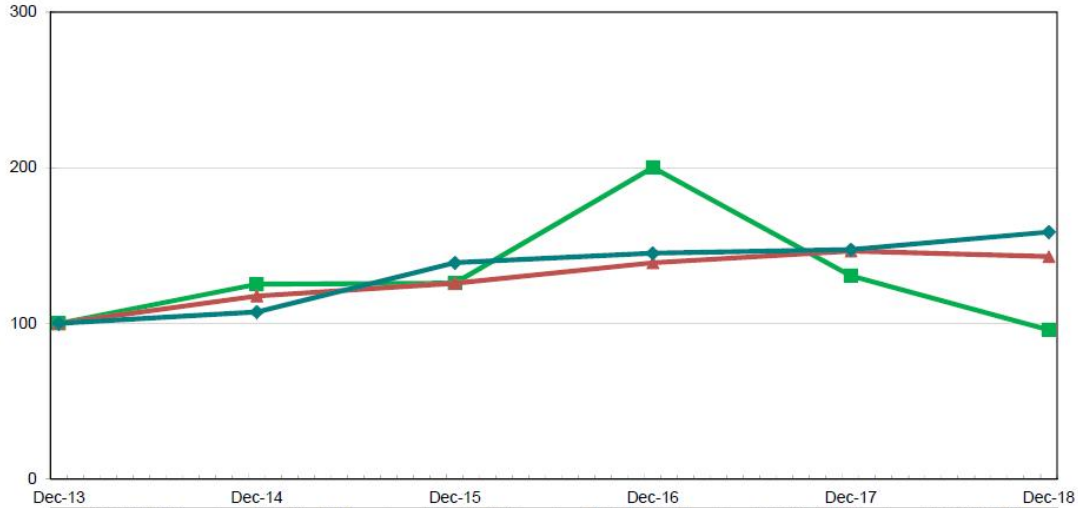
We anticipate continuing the payment of quarterly cash dividends. The actual amount of such dividends is subject to declaration by our Board of Directors and will depend upon future earnings, results of operations, capital requirements, our financial condition and other relevant factors. Additionally, in connection with the execution of our amended Credit Facility in October 2018, no increase in dividends per share may occur when the Leverage Ratio, as defined in the Credit Agreement, is higher than 3.75 to 1.0. There can be no assurance that the Company will continue to pay quarterly cash dividends at the current rate or at all.

A total of 115.2 million shares with an aggregate cost of $1.8 billion and an average price of $15.66 per share were repurchased under a share repurchase program that began on December 9, 1999 and expired February 27, 2019. There were no share repurchases in the fourth quarter of 2018. In connection with the execution of our amended Credit Agreement in October 2018, the Company cannot repurchase shares when our Leverage Ratio, as defined in the Credit Agreement, is higher than 3.75 to 1.0. As of December 30, 2018, the Leverage Ratio was 4.7 to 1.0. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this Form 10-K for additional information.

The information required by Item 5 with respect to securities authorized for issuance under equity compensation plans is incorporated herein by reference to Part III, Item 12 of this Form 10-K.

Stock Performance Graph

The following performance graph compares the cumulative shareholder return of the Company's common stock for the five-year period between December 29, 2013 and December 30, 2018 to (i) the NASDAQ Stock Market (U.S.) Index and (ii) a group of the Company's peers consisting of U.S. companies listed on NASDAQ with standard industry classification (SIC) codes 5800-5899 (eating and drinking places). Management believes the companies included in this peer group appropriately reflect the scope of the Company's operations and match the competitive market in which the Company operates. The graph assumes the value of the investments in the Company's common stock and in each index was $100 on December 29, 2013, and that all dividends were reinvested.



	Dec. 29, 2013	Dec. 28, 2014	Dec. 27, 2015	Dec. 25, 2016	Dec. 31, 2017	Dec. 30, 2018
	100.00	125.16	125.77	200.09	130.61	95.80
	100.00	117.56	125.74	138.99	146.41	142.89
	100.00	107.29	139.00	144.98	147.30	158.66

Papa John's International, Inc.

NASDAQ Stock Market (U.S. Companies)

NASDAQ Stocks (SIC 5800-5899 U.S. Companies) Eating and Drinking

Item 6. Selected Financial Data

The selected financial data presented for each of the past five fiscal years were derived from our audited Consolidated Financial Statements. The selected financial data below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the "Consolidated Financial Statements" and Notes thereto included in Item 7 and Item 8, respectively, of this Form 10-K. The Company has reclassified certain prior year amounts within the Consolidated Statements of Operations for the years ended December 31, 2017 and December 25, 2016 in order to conform with current year presentation. See "Note 24" of "Notes to Consolidated Financial Statements" for additional information.

	Year Ended(1)				
(In thousands, except per share data)	**Dec. 30, 2018 52 weeks**	**Dec. 31, 2017 53 weeks**	**Dec. 25, 2016 52 weeks**	**Dec. 30, 2015 52 weeks**	**Dec. 25, 2014 52 weeks**
Income Statement Data					
Revenues:					
Domestic Company-owned restaurant sales	$ 692,380	$ 816,718	$ 815,931	$ 756,307	$ 701,854
North America franchise royalties and fees (2)	79,293	106,729	102,980	96,056	90,169
North America commissary	609,866	673,712	623,883	680,321	703,671
International (3)	110,349	114,021	100,904	104,691	102,455
Other revenues	81,428	72,179	69,922	—	—
Total revenues (4)	1,573,316	1,783,359	1,713,620	1,637,375	1,598,149
Refranchising and impairment gains/(losses), net	(289)	(1,674)	10,222	—	(979)
Operating income	30,380	151,017	164,523	136,307	117,630
Legal settlement	—	—	898	(12,278)	—
Investment income	817	608	785	794	702
Interest expense	(25,306)	(11,283)	(7,397)	(5,676)	(4,077)
Income before income taxes	5,891	140,342	158,809	119,147	114,255
Income tax expense	2,646	33,817	49,717	37,183	36,558
Net income before attribution to noncontrolling interests	3,245	106,525	109,092	81,964	77,697
Income attributable to noncontrolling interests (5)	(1,599)	(4,233)	(6,272)	(6,282)	(4,382)
Net income attributable to the Company	$ 1,646	$ 102,292	$ 102,820	$ 75,682	$ 73,315
Net income attributable to common shareholders	$ 1,646	$ 103,288	$ 102,967	$ 75,422	$ 72,869
Basic earnings per common share	$ 0.05	$ 2.86	$ 2.76	$ 1.91	$ 1.78
Diluted earnings per common share	$ 0.05	$ 2.83	$ 2.74	$ 1.89	$ 1.75
Basic weighted average common shares outstanding	32,083	36,083	37,253	39,458	40,960
Diluted weighted average common shares outstanding	32,299	36,522	37,608	40,000	41,718
Dividends declared per common share	$ 0.90	$ 0.85	$ 0.75	$ 0.63	$ 0.53
Balance Sheet Data					
Total assets	$ 570,947	$ 555,553	$ 512,565	$ 494,058	$ 504,555
Total debt	625,000	470,000	300,575	256,000	230,451
Redeemable noncontrolling interests	5,464	6,738	8,461	8,363	8,555
Total stockholders' equity (deficit)	(302,134)	(105,954)	9,801	42,206	98,715

(1) We operate on a 52-53 week fiscal year ending on the last Sunday of December of each year. The 2017 fiscal year consisted of 53 weeks and all other years above consisted of 52 weeks. The additional week resulted in additional revenues of approximately $30.9 million and additional income before income taxes of approximately $5.9 million, or $0.11 per diluted share for 2017.

(2) North America franchise royalties were derived from franchised restaurant sales of $2.13 billion in 2018, $2.30 billion in 2017 ($2.25 billion on a 52-week basis), $2.20 billion in 2016, $2.13 billion in 2015 and $2.04 billion in 2014.

(3) Includes international royalties and fees, restaurant sales for international Company-owned restaurants, and international commissary revenues. International royalties were derived from franchised restaurant sales of $832.3 million in 2018, $761.3 million in 2017 ($744.0 million on a 52-week basis), $648.9 million in 2016, $592.7 million in 2015 and $553.0 million in 2014. Restaurant sales for international Company-owned restaurants were $6.2 million in 2018, $13.7 million in 2017 ($13.4 million on a 52-week basis), $14.5 million in 2016, $19.3 million in 2015 and $23.7 million in 2014.

(4) The Company adopted Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" in 2018. See "Notes 2, 3 and 4" of "Notes to Consolidated Financial Statements" for additional information.

(5) Represents the noncontrolling interests' allocation of income for our joint venture arrangements.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

Papa John's International, Inc. (referred to as the "Company," "Papa John's" or in the first person notations of "we," "us" and "our") began operations in 1984. At December 30, 2018, there were 5,303 Papa John's restaurants in operation, consisting of 645 Company-owned and 4,658 franchised restaurants. Our revenues are derived from retail sales of pizza and other food and beverage products to the general public by Company-owned restaurants, franchise royalties, and sales of franchise and development rights. Additionally, approximately 42% to 46% of our North America revenues in each of the last three fiscal years were derived from sales to franchisees of various items including food and paper products, printing and promotional items and information systems equipment, and software and related services. We also derive revenues from the operation of three international QC centers. We believe that in addition to supporting both Company and franchised profitability and growth, these activities contribute to product quality and consistency throughout the Papa John's system.

We strive to obtain high-quality restaurant sites with good access and visibility and to enhance the appearance and quality of our restaurants. We believe these factors improve our image and brand awareness. Our expansion strategy is to cluster restaurants in targeted markets, thereby increasing consumer awareness and enabling us to take advantage of operational, distribution and advertising efficiencies.

Detailed below is a progression of new unit growth for our Domestic and International restaurants:

	Domestic Company-owned	Franchised North America	Total North America	International	System-wide
Beginning - December 31, 2017	708	2,733	3,441	1,758	5,199
Opened	6	83	89	304	393
Closed	(7)	(186)	(193)	(96)	(289)
Acquired	-	62	62	34	96
Sold	(62)	-	(62)	(34)	(96)
Ending - December 30, 2018	645	2,692	3,337	1,966	5,303
Net unit growth - 2018	(63)	(41)	(104)	208	104

The average cash investment for the six domestic traditional Company-owned restaurants opened during 2018 was approximately $345,000, exclusive of land and any tenant improvement allowances we received, compared to $354,000 average investment for the 7 domestic traditional units opened in 2017. In recent years, we have experienced an increase in the cost of our new restaurants primarily as a result of building larger units, an increase in the cost of certain equipment as a result of technology enhancements, and increased costs to comply with local regulations.

Average annual Company-owned sales for our most recent domestic comparable restaurant base were $1.07 million for 2018, compared to $1.19 million ($1.17 million on a 52-week basis) for 2017 and $1.16 million for 2016. The comparable sales for Company-owned restaurants decreased 9.0% in 2018 and increased 0.4% and 4.4% in 2017 and 2016, respectively. "Comparable sales" represents sales generated by traditional restaurants open for the entire twelve-month period reported. The comparable sales for North America franchised units decreased 6.7% in 2018 and 0.1% in 2017 and increased 3.1% in 2016. The comparable sales for system-wide International units decreased 1.6% in 2018, but increased 4.4% in 2017 and 6.0% in 2016.

Strategy

Early in 2018, we outlined five strategic priorities to improve upon the execution of the Company's strategy, including:

- People: Focus on making people a priority with advanced career opportunities and more efficient restaurant procedures to support improved recruitment and retention.
- Brand differentiation messaging: Develop improved marketing messaging that highlights our quality products and ingredients.
- Value perception: Provide everyday accessible value to consumers.
- Technological advancements: Promote technological advancements with enhanced data and analytics capabilities.
- Restaurant unit economics: Invest further in our restaurants to operate more efficiently while improving the customer experience.

We believe investments in these areas will provide the enhanced focus and support necessary to achieve our goal to build brand loyalty over the long-term by delivering on our "BETTER INGREDIENTS. BETTER PIZZA." promise. Despite our recent brand challenges, we believe that we are recognized as a trusted brand and quality leader in the domestic pizza category, and we believe that focusing on these areas will enable us to build our brand on a global basis and increase sales and global units.

2018 Business Matters

Background on Recent Negative Publicity

We have experienced negative publicity and consumer sentiment as a result of statements by the Company's founder and former spokesperson John H. Schnatter in late 2017 and in July 2018, which contributed to our negative sales results in 2018. Mr. Schnatter resigned as Chairman of the Board on July 11, 2018, the same day that the media reported certain controversial statements made by Mr. Schnatter. A Special Committee of the Board of Directors consisting of all of the independent directors (the "Special Committee") was formed on July 15, 2018 to evaluate and take action with respect to all of the Company's relationships and arrangements with Mr. Schnatter. In addition, on July 27, 2018, the Company announced that the Board's Lead Independent Director, Olivia F. Kirtley, had been unanimously appointed by the Board of Directors to serve as Chairman of the Company's Board of Directors. Following its formation, the Special Committee terminated Mr. Schnatter's Founder Agreement, which defined his role in the Company, among other things, as advertising and brand spokesperson for the Company. The Special Committee, among other things, oversaw the previously announced external audit and investigation of all the Company's existing processes, policies and systems related to diversity and inclusion, supplier and vendor engagement and Papa John's culture, which is substantially complete. The Special Committee has delivered recommendations resulting from the audit to Company management, who will implement the recommendations, including initiatives and training regarding Diversity, Equity, and Inclusion. The Company is also implementing various branding and marketing initiatives, including a new advertising and marketing campaign.

The negative consumer sentiment surrounding the Company's brand has continued to impact the North America system-wide sales and the Company cannot predict how long the negative consumer sentiment will continue. The Company also incurred significant costs (defined as "Special charges") as a result of the above-mentioned recent events in the second half of 2018. We incurred $50.7 million of Special charges as follows:

- franchise royalty reductions of approximately $15.4 million for all North America franchisees,
- reimaging costs at nearly all domestic restaurants and replacement or write off of certain branded assets totaling $5.8 million,
- contribution of $10.0 million to the Papa John's National Marketing Fund ("PJMF"), and
- legal and professional fees, which amounted to $19.5 million, for various matters relating to the review of a wide range of strategic opportunities for the Company that culminated in the recent strategic investment in the Company by affiliates of Starboard Value LP, as well as a previously announced external culture audit and other activities overseen by the Special Committee.

The franchise royalty reductions reduce the amount of North America franchise royalties and fees revenues within our Consolidated Statements of Operations. All other costs associated with these events are included in General and administrative expenses within the Consolidated Statements of Operations.

The Company could continue to experience a decline in sales resulting from the aforementioned negative consumer sentiment and incur additional charges in 2019 as a result of the recent events. The Company estimates that these costs will amount to between $30 million and $50 million for 2019.

In September 2018, the Company began a process to evaluate a wide range of strategic options with the goal of improving sales, maximizing value for all shareholders and serving the best interest of the Company's stakeholders. As part of this strategic review, the Special Committee also engaged legal and financial advisors. After extensive discussions with a wide group of strategic and financial investors, the Special Committee concluded that an investment agreement with funds affiliated with Starboard Value LP (together with its affiliates, "Starboard") was in the best interest of shareholders. On February 3, 2019, the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with Starboard pursuant to which Starboard made a $200 million strategic investment in the Company's newly designated Series B convertible preferred stock, par value $0.01 per share (the "Series B Preferred Stock") with the option to make an additional $50 million investment in the Series B Preferred Stock through March 29, 2019. In addition, the Company has the right to offer up to 10,000 shares of Series B Preferred Stock to Papa John's franchisees, on the same terms as to Starboard, provided such franchisees satisfy accredited investor and other requirements of the offering under securities laws.

The Company will use approximately half of the proceeds from the sale of the Series B Preferred Stock to reduce the outstanding principal amount under the Company's unsecured revolving credit facility. The remaining proceeds are expected to be used to make investments in the business and for general corporate purposes.

In connection with Starboard's investment, the Company expanded its Board of Directors to include two new independent directors, Jeffrey C. Smith, Chief Executive Officer of Starboard, who was appointed Chairman of the Board, and Anthony M. Sanfilippo, former Chairman and Chief Executive Officer of Pinnacle Entertainment, Inc. The Board of Directors believes Mr. Smith's business expertise and new perspectives will help support the Company's strategy to capitalize on its differentiated "BETTER INGREDIENTS. BETTER PIZZA." market position and build a better pizza company for the benefit of its shareholders, team members, franchisees and customers. In addition, the Company's President and Chief Executive Officer Steve Ritchie has been appointed to the Board. With the addition of the new directors, the Board currently is comprised of nine directors, seven of whom are independent.

Critical Accounting Policies and Estimates

The results of operations are based on our Consolidated Financial Statements, which were prepared in conformity with accounting principles generally accepted in the United States ("GAAP"). 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. The Company's significant accounting policies, including recently issued accounting pronouncements, are more fully described in "Note 2" of "Notes to 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:

Revenue Recognition and Statement of Operations Presentation

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under GAAP, including industry-specific requirements, and provides companies with a single revenue recognition framework for recognizing revenue from contracts with customers. In March and April 2016, the FASB issued the following amendments to clarify the implementation guidance: ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" and ASU 2016-

10, “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing”. This update and subsequently issued amendments (collectively “Topic 606”) requires companies to recognize revenue at amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services at the time of transfer. Topic 606 requires that we assess contracts to determine each separate and distinct performance obligation. If a contract has multiple performance obligations, we allocate the transaction price using our best estimate of the standalone selling price to each distinct good or service in the contract.

We adopted Topic 606 using the modified retrospective transition method effective January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historical accounting under Topic 605, “Revenue Recognition.”

The cumulative effect adjustment of $21.5 million was recorded as a reduction to retained earnings as of January 1, 2018 to reflect the impact of adopting Topic 606. The impact of applying Topic 606 for 2018 included the following (dollars in thousands, except for per share amounts):

	Year Ended December 30, 2018
Total revenue impact (a)	$ 4,010
Pre-tax income impact (b)	(3,362)
Diluted EPS	(0.08)

(a) The revenue increase of $4.0 million is primarily due to the requirement to present revenues and expenses related to marketing funds we control on a “gross” basis. This increase was partially offset by lower Company-owned restaurant revenues attributable to the revised method of accounting for the loyalty program and required reporting of franchise new store equipment incentives as a reduction of revenue. The marketing fund gross up is reported in the new financial statement line items, Other revenues and Other expenses, as discussed further below.

(b) The $3.4 million decrease in pre-tax income in 2018 is primarily due to the revised method of accounting for the loyalty program and franchise fees.

While not required as part of the adoption of Topic 606, our Statement of Operations includes newly created Other revenues and Other expenses line items. Other revenues and Other expenses include the Topic 606 “gross up” of respective revenues and expenses derived from certain domestic and international marketing fund co-ops we control, as previously discussed. Additionally, Other revenues and Other expenses include various reclassifications from North America commissary and Other, International and general and administrative expenses to better reflect and aggregate various domestic and international services provided by the Company for the benefit of franchisees. Related 2017 amounts have also been reclassified to conform to the new 2018 presentation. These reclassifications had no impact on total revenues or total costs and expenses reported. See “Note 24” of “Notes to Consolidated Financial Statements” for additional information.

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 and other customers with known financial difficulties. Balances are charged off against the allowance after recovery efforts have ceased.

Noncontrolling Interests

At December 30, 2018, the Company has three joint ventures consisting of 183 restaurants, which have noncontrolling interests. During 2018, the Company refranchised 62 restaurants that were previously held in two additional joint ventures. Consolidated net income is required to be reported separately at amounts attributable to both the parent and the noncontrolling interests. Additionally, disclosures are required to clearly identify and distinguish between the interests of the parent company and the interests of the noncontrolling owners, including a disclosure on the face of the Consolidated Statements of Operations of income attributable to the noncontrolling interest holder.

The following summarizes the redemption feature, location and related accounting within the Consolidated Balance Sheets for these three remaining joint venture arrangements:

Type of Joint Venture Arrangement	**Location within the Balance Sheets**	**Recorded Value**
Joint venture with no redemption feature	Permanent equity	Carrying value
Option to require the Company to purchase the noncontrolling interest - not currently redeemable	Temporary equity	Carrying value

See “Note 8” and “Note 9” of “Notes to Consolidated Financial Statements” for additional information.

Intangible Assets — Goodwill

We evaluate goodwill annually in the fourth quarter or whenever we identify certain triggering events or circumstances that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. Such tests are completed separately with respect to the goodwill of each of our reporting units, which includes our domestic Company-owned restaurants, United Kingdom (“PJUK”), China, and Preferred Marketing Solutions operations. We may perform a qualitative assessment or move directly to the quantitative assessment for any reporting unit in any period if we believe that it is more efficient or if impairment indicators exist.

We elected to perform a quantitative assessment for our domestic Company owned restaurants, United Kingdom (“PJUK”), China, and Preferred Marketing Solutions operations in the fourth quarter of 2018. We considered both an income approach and a market approach for our reporting units. The income approach used projected net cash flows adjusted for the appropriate time value of money factors. The selected discount rate considered the risk and nature of each reporting unit’s cash flow and the rates of return market participants would require to invest their capital in the reporting unit. In determining the fair value from a market approach, we considered earnings before interest, taxes, depreciation and amortization (“EBITDA”) and sales multiples that a potential buyer would pay based on third-party transactions in similar markets.

As a result of our quantitative analyses, we determined that it was more-likely-than-not that the fair values of our reporting units substantially exceeded their carrying amounts. Subsequent to completing our goodwill impairment tests, no indicators of impairment were identified. See “Note 10” of “Notes to Consolidated Financial Statements” for additional information.

Insurance Reserves

Our insurance programs for workers’ compensation, owned and non-owned automobiles, general liability, property, and health insurance coverage provided to our employees are funded by the Company up to certain retention levels under our retention programs. Retention limits generally range from $100,000 to $1.0 million.

Losses are accrued based upon undiscounted estimates of the 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 differ significantly from historical trends used to estimate the insurance reserves recorded by the Company. The Company records estimated losses above retention within its reserve with a corresponding receivable for expected amounts due from insurance carriers.

Income Tax Accounts and Tax Reserves

Papa John’s is subject to income taxes in the United States and several foreign jurisdictions. Significant judgment is required in determining Papa John’s provision for income taxes and the related assets and liabilities. The provision for income taxes includes income taxes paid, currently payable or receivable and those deferred. We use an estimated annual effective rate based on expected annual income to determine our quarterly provision for income taxes. Discrete items are recorded in the quarter in which they occur.

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences reverse. Deferred tax assets are also recognized for the estimated future effects of tax attribute carryforwards (e.g., net operating losses, capital losses, and foreign tax credits). The effect on deferred taxes of changes in tax rates is recognized in the period in which the new tax rate is enacted. Valuation allowances are established when necessary on a jurisdictional basis to reduce deferred tax assets to the amounts we expect to realize.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted, significantly decreasing the U.S. federal income tax rate for corporations effective January 1, 2018. On that same date, the Securities and Exchange Commission also issued Staff Accounting Bulletin ("SAB") 118, which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740, "Income Taxes." As a result, we remeasured our deferred tax assets, liabilities and related valuation allowances in 2017. This remeasurement yielded a 2017 benefit of approximately $7.0 million due to the lower income tax rate. At December 30, 2018 the Company has completed its analysis of the Tax Act. See "Items Impacting Comparability" and "Note 17" for additional information. Our net deferred income tax liability was approximately $7.1 million at December 30, 2018.

Tax authorities periodically audit the Company. We record reserves and related interest and penalties for identified exposures as income tax expense. We evaluate these issues and adjust for events, such as statute of limitations expirations, court rulings or audit settlements, which may impact our ultimate payment for such exposures. We recognized decreases in income tax expense of $1.7 million and $729,000 in 2017 and 2016, respectively, associated with the finalization of certain income tax matters. There were no amounts recognized in 2018 as there were no related events. See "Note 17" of "Notes to Consolidated Financial Statements" for additional information.

Fiscal Year

Our fiscal year ends on the last Sunday in December of each year. All fiscal years presented in the accompanying Consolidated Financial Statements consist of 52 weeks except for the 2017 fiscal year, which consists of 53 weeks.

Items Impacting Comparability; Non-GAAP Measures

The below table reconciles our GAAP financial results to our adjusted (non-GAAP) financial results, excluding identified “Special items,” as detailed below. We present these non-GAAP measures because we believe the Special items impact the comparability of our results of operations. Additionally, the impact of the Company’s 53 week fiscal year in 2017 as compared to 52 weeks in 2018 and 2016 is highlighted below. For additional information about the special items, see “Note 2”, “Note 9”, “Note 17” and “Note 19” of “Notes to Consolidated Financial Statements,” respectively.

(In thousands, except per share amounts)	Year Ended Dec. 30, 2018	Year Ended Dec. 31, 2017	Year Ended Dec. 25, 2016
GAAP Income before income taxes	$ 5,891	$ 140,342	$ 158,809
Special items:			
Special charges (1)	50,732	—	—
Refranchising and impairment gains/(losses), net (2)(6)	289	1,674	(10,222)
Legal settlement (7)	—	—	(898)
Adjusted income before income taxes	56,912	142,016	147,689
53rd week of operations	—	(5,900)	—
Adjusted income before income taxes - 52 weeks	$ 56,912	$ 136,116	$ 147,689
GAAP Net income	$ 1,646	$ 102,292	$ 102,820
Special items, net of income taxes:			
Special charges (1)(3)	38,957	—	—
Refranchising and impairment gains/(losses), net (2)(3)(6)	222	1,323	(6,455)
Legal settlement (3)(7)	—	—	(567)
Tax impact of China refranchising (2)	2,435	—	—
U.S. tax legislation effect on deferred taxes (4)	—	(7,020)	—
Equity compensation tax benefit (3)(5)	—	(1,879)	—
Net income, as adjusted	43,260	94,716	95,798
53rd week of operations	—	(3,900)	—
Adjusted net income	$ 43,260	$ 90,816	$ 95,798
GAAP Diluted Earnings per share	$ 0.05	$ 2.83	$ 2.74
Special items:			
Special charges (1)	1.21	—	—
Refranchising and impairment gains/(losses), net (2)(6)	0.01	0.04	(0.17)
Legal settlement (7)	—	—	(0.02)
Tax impact of China refranchising (2)	0.07	—	—
U.S. tax legislation effect on deferred taxes (4)	—	(0.20)	—
Equity compensation tax benefit (5)	—	(0.05)	—
Adjusted diluted earnings per share	1.34	2.62	2.55
53rd week of operations	—	(0.11)	—
Adjusted diluted earnings per share - 52 weeks	$ 1.34	$ 2.51	$ 2.55

(1) 'Special charges' is defined as the costs and expenses in response to recent events including: (i) re-imaging costs at nearly all domestic restaurants and costs to replace or write-off certain branded assets of approximately $5.8 million, (ii) financial assistance to domestic franchisees, such as short-term royalty reductions, in an effort to mitigate closings of approximately $15.4 million, and (iii) contributions to the national marketing fund of $10.0 million to increase marketing and promotional activities, and (iv) costs totaling approximately $19.5 million associated with the activities of the Special Committee of the Board of Directors, including legal and advisory costs related to the review of a wide range of strategic opportunities that culminated in Starboard’s strategic investment in the Company by affiliates of Starboard Value LP, as well as a third-party audit of the culture of Papa John’s.

(2) The refranchising and impairment (gains)/losses, net loss of $289,000 before tax and $222,000 net loss after tax in 2018 are primarily due to the loss associated with the China refranchise of the 34 Company-owned restaurants and the quality control center in China with impairment losses related to these stores in 2017 and 2016, substantially offset by refranchising gains related to the refranchising of 62 Company-owned restaurants in North America in 2018. We also had $2.4 million of additional tax expense associated with the China refranchise. This additional tax expense is primarily attributable to the required recapture of operating losses previously taken by Papa John's International.

(3) Tax effect was calculated using the Company's full year marginal rate of 23.2%, 21.0% and 36.9% for 2018, 2017 and 2016, respectively.

(4) The U.S. income tax legislation effect on deferred taxes is related to the remeasurement of the net deferred tax liability due to the Tax Cuts and Jobs Act in 2017.

(5) 2017 also includes the favorable impact of adopting the new guidance for accounting for share-based compensation. This guidance requires excess tax benefits recognized on stock-based awards to be recorded as a reduction of income tax expense rather than stockholders' equity. Beginning in 2018, and on a go-forward basis, the benefit or reduction in income from this change will not be shown as an adjustment in GAAP results.

(6) 2016 includes a refranchising gain from the sale of the Phoenix Company–owned market with 42 restaurants to a franchisee.

(7) 2016 legal settlement represents the favorable 2016 finalization related to the collective and class action litigation, *Perrin v. Papa John's International, Inc. and Papa John's USA, Inc.*

The non-GAAP results previously shown and within this document, which exclude Special items, should not be construed as a substitute for or a better indicator of the Company's performance than the Company's GAAP results. Management believes presenting certain financial information without the Special items is important for purposes of comparison to prior year results. In addition, management uses these metrics to evaluate the Company's underlying operating performance and to analyze trends. See "Results of Operations" for further analysis regarding the impact of the Special items.

In addition, we present free cash flow in this report, which is a non-GAAP measure. We define free cash flow as net cash provided by operating activities (from the Consolidated Statements of Cash Flows) less the purchases of property and equipment. We view free cash flow as an important measure because it is one factor that management uses in determining the amount of cash available for discretionary investment. Free cash flow is not a term defined by GAAP, and as a result, our measure of free cash flow might not be comparable to similarly titled measures used by other companies. Free cash flow should not be construed as a substitute for or a better indicator of our performance than the Company's GAAP measures. See "Liquidity and Capital Resources" for a reconciliation of free cash flow to the most directly comparable GAAP measure.

We also present Operating margin (loss) in this report. Operating margin (loss) is not a measure defined by GAAP and should not be considered in isolation, or as an alternative to evaluation of the Company's financial performance. In addition to an evaluation of GAAP consolidated income before income taxes, we believe the presentation of operating margin (loss) is beneficial as it represents an additional measure used by the Company to further evaluate operating efficiency and performance of the various business units. Additionally, operating margin (loss) discussion may be helpful for comparison within the industry. The operating margin (loss) results detailed herein can be calculated by business unit based on the specific revenue and operating expense line items on the face of the Consolidated Statements of Operations. Consolidated income before income taxes reported includes general and administrative expenses, depreciation and amortization, refranchising losses and net interest expense that have been excluded from this operating margin (loss) calculation. See "Results of Operations – costs and expenses" for a reconciliation of operating margin (loss) to the most directly comparable GAAP measure.

The presentation of the non-GAAP measures in this report is made alongside the most directly comparable GAAP measures.

Percentage Relationships and Restaurant Data and Unit Progression

The following tables set forth the percentage relationship to total revenues, unless otherwise indicated, of certain income statement data, and certain restaurant data for the years indicated. Certain prior year data has been reclassified, with no impact on total revenues or total expenses, to conform to current year presentation. See “Note 24” of “Notes to Consolidated Financial Statements” for additional information.

	Year Ended(1)		
	Dec. 30, 2018 (52 weeks)	Dec. 31, 2017 (53 weeks)	Dec. 25, 2016 (52 weeks)
Income Statement Data:			
Revenues:			
Domestic Company-owned restaurant sales	44.0 %	45.8 %	47.6 %
North America franchise royalties and fees	5.0	6.0	6.0
North America commissary	38.8	37.8	36.4
International	7.0	6.4	4.1
Other revenues	5.2	4.0	5.9
Total revenues	100.0	100.0	100.0
Costs and expenses:			
Operating costs (excluding depreciation and amortization shown separately below):			
Domestic Company-owned restaurant operating expense (2)	83.3	81.4	79.9
North America commissary (3)	94.3	93.7	92.9
International operating expense (4)	61.4	61.9	94.8
Other expenses (5)	103.2	96.1	62.0
General and administrative expenses	12.2	8.5	9.2
Depreciation and amortization	2.9	2.4	2.4
Total costs and expenses	98.1	91.4	91.0
Refranchising and impairment gains/(losses), net	—	(0.1)	0.6
Operating income	1.9	8.5	9.6
Legal settlement	—	—	0.1
Net interest expense	(1.5)	(0.6)	(0.4)
Income before income taxes	0.4	7.9	9.3
Income tax expense	0.2	1.9	2.9
Net income before attribution to noncontrolling interests	0.2	6.0	6.4
Income attributable to noncontrolling interests	(0.1)	(0.3)	(0.4)
Net income attributable to the Company	0.1 %	5.7 %	6.0 %

	Year Ended (1)		
	Dec. 30, 2018 (52 weeks)	Dec. 31, 2017 (53 weeks)	Dec. 25, 2016 (52 weeks)
Restaurant Data:			
Percentage (decrease) increase in comparable domestic Company-owned restaurant sales (6)	(9.0)%	0.4 %	4.4 %
Number of domestic Company-owned restaurants included in the most recent full year's comparable restaurant base	637	676	694
Average sales for domestic Company-owned restaurants included in the most recent comparable restaurant base	$ 1,072,000	$ 1,192,000	$ 1,156,000
Papa John's Restaurant Progression:			
North America Company-owned:			
Beginning of period	708	702	707
Opened	6	9	13
Closed	(7)	(3)	(1)
Acquired from franchisees	—	1	25
Sold to franchisees (7)	(62)	(1)	(42)
End of period	645	708	702
International Company-owned:			
Beginning of period	35	42	45
Closed	(1)	(7)	(3)
Sold to franchisees (7)	(34)	—	—
End of period	—	35	42
North America franchised:			
Beginning of period	2,733	2,739	2,681
Opened	83	110	104
Closed	(186)	(116)	(63)
Acquired from Company (7)	62	1	42
Sold to Company	—	(1)	(25)
End of period	2,692	2,733	2,739
International franchised:			
Beginning of period	1,723	1,614	1,460
Opened	304	257	226
Closed	(95)	(148)	(72)
Acquired from Company (7)	34	—	—
End of period	1,966	1,723	1,614
Total restaurants - end of period	5,303	5,199	5,097

(1) We operate on a 52-53 week fiscal year ending on the last Sunday of December of each year. The 2018 and 2016 fiscal years consisted of 52 weeks and the 2017 fiscal year consisted of 53 weeks. The additional week in 2017 resulted in additional revenues of approximately $30.9 million and additional income before income taxes of approximately $5.9 million, or $0.11 per diluted share. Additionally, 2017 and 2016 amounts have also been reclassified to conform to the new 2018 presentation for Other revenues and Other expenses. These reclassifications had no impact on total revenues or total costs and expenses reported. See "Note 24" of "Notes to Consolidated Financial Statements" for additional information.

(2) As a percentage of domestic Company-owned restaurant sales.

(3) As a percentage of North America commissary sales.

(4) As a percentage of international sales.

(5) As a percentage of other revenues.

(6) Represents the change in year-over-year sales for Company-owned restaurants open throughout the periods being compared.

(7) In 2018, the Company refranchised 62 Company-owned North America restaurants located in Minnesota and Denver and 34 international restaurants located in China. See Items Impacting Comparability and “Note 9” of “Notes to Consolidated Financial Statements” for additional information.

Results of Operations

Review of Consolidated Operating Results

2018 Compared to 2017

Discussion of Revenues. Consolidated revenues decreased $210.1 million, or 11.8%, to $1.57 billion in 2018, compared to $1.78 billion in 2017. Excluding the revenues for the 53rd week of operations in 2017 of $30.9 million, consolidated revenues decreased $179.2 million, or 10.1%. Revenues are summarized in the following table (dollars in thousands).

	Year Ended			
	Dec. 30, 2018	Dec. 31, 2017	Increase (Decrease) $	Increase (Decrease) %
Domestic Company-owned restaurant sales	$ 692,380	$ 816,718	$ (124,338)	(15.2)%
North America franchise royalties and fees	79,293	106,729	(27,436)	(25.7)%
North America commissary	609,866	673,712	(63,846)	(9.5)%
International	110,349	114,021	(3,672)	(3.2)%
Other revenues	81,428	72,179	9,249	12.8 %
Total Revenues	$ 1,573,316	$ 1,783,359	$ (210,043)	(11.8)%

Domestic Company-owned restaurant sales decreased $124.3 million, or 15.2% in 2018. Excluding the benefit of the 53rd week of operations of $15.6 million in 2017, the Domestic Company-owned restaurant sales decreased $108.7 million, or 13.6% in 2018. These decreases were primarily due to the negative comparable sales of 9.0% and a reduction of revenues of $42.2 million from the refranchising of 62 Company-owned restaurants in 2018. “Comparable sales” represents the change in year-over-year sales for the same base of restaurants for the same fiscal periods.

North America franchise royalties and fees decreased $27.4 million, or 25.7% in 2018. Excluding the benefit of the 53rd week of operations of $1.9 million in 2017, the decrease was $25.5 million, or 24.4%, primarily due to short-term royalty reductions granted to the entire North America system as part of the franchise assistance program of approximately $15.4 million, which is included in the Special charges previously discussed. Royalties were further reduced by negative comparable sales of 6.7% in 2018. North America franchise restaurant systemwide sales decreased 7.4% or $169.6 million to $2.1 billion (5.4% or $120.9 million on a 52 week basis) primarily due to the negative comparable sales. North America franchise restaurant sales are not included in Company revenues; however, our North America franchise royalties are derived from these sales.

North America commissary sales decreased $63.8 million, or 9.5% in 2018. Excluding the benefit of the 53rd week of operations of $10.8 million in 2017, the decrease was $53.0 million, or 8.0% primarily due to lower sales volumes attributable to lower restaurant sales. In addition, North America commissary revenues were reduced approximately $2.6 million due to required reporting of franchise new store equipment incentives as a reduction of revenue under Topic 606. These incentives were previously recorded as General and administrative expenses.

International revenues decreased approximately $3.7 million, or 3.2% in 2018. Excluding the benefit of the 53rd week of operations of $2.2 million in 2017, the decrease was $1.5 million, or 1.3%. These decreases are net of the favorable impact of foreign currency rates of approximately $2.7 million. The decrease was primarily due to the refranchising of the Company-owned restaurants and quality control center in China of approximately $8.1 million in 2018, lower franchise fees, development fees and lower revenues due to required reporting of franchise new store equipment incentives as a reduction of revenue after adoption of Topic 606, partially offset by higher royalties due to an increase in equivalent units.

"Equivalent units" represents the number of restaurants open at the beginning of a given period, adjusted for restaurants opened, closed, acquired or sold during the period on a weighted average basis.

International franchise restaurant systemwide sales increased 14.6% to $832.3 million in 2018, excluding the impact of foreign currency, due to the increase in equivalent units. International franchise restaurant sales are not included in Company revenues; however, our international royalty revenue is derived from these sales.

Other revenues increased $9.2 million, or 12.8% in 2018 primarily due to the required 2018 reporting of franchise marketing fund revenues and expenses on a gross basis for the various funds we control in accordance with Topic 606. These amounts were previously reported on a net basis. As we did not restate the 2017 amounts in accordance with our adoption of Topic 606 using the modified retrospective approach, comparability between 2018 and 2017 amounts is reduced. See "Note 3" of "Notes to Consolidated Financial Statements" for more details. This increase was partially offset by lower revenues for Preferred Marketing Solutions, our print and promotions subsidiary.

Costs and expenses. The operating margin for domestic Company-owned restaurants was 16.7% in 2018 and 18.6% in 2017, and consisted of the following (dollars in thousands):

	Year ended			
	December 30, 2018		**December 31, 2017**	
Restaurant sales	$ 692,380		$ 816,718	
Cost of sales	153,081	22.1%	188,017	23.0%
Other operating expenses	423,718	61.2%	476,623	58.4%
Total expenses	$ 576,799	83.3%	$ 664,640	81.4%
Margin	$ 115,581	16.7%	$ 152,078	18.6%

Domestic Company-owned restaurants margin decreased $36.5 million, or 1.9%, as a percentage of restaurant sales or $34.1 million, excluding the 53rd week of operations in 2017. The decrease was primarily attributable to negative comparable sales of 9.0% as well as higher labor costs including higher minimum wages, and increased non-owned automobile costs of $5.4 million. Additionally, the adoption of Topic 606 reduced restaurant operating margin due to the revised method of accounting for the customer loyalty program.

North America commissary operating margin was 5.7% in 2018 compared to 6.3% in 2017, and consisted of the following (dollars in thousands):

	Year Ended			
	December 30, 2018		**December 31, 2017**	
North America commissary sales	$ 609,866		$ 673,712	
North America commissary expenses	575,103		631,537	
Margin	$ 34,763	5.7%	$ 42,175	6.3%

North America commissary margin was $7.4 million lower in 2018, or 0.6%, as a percentage of related revenues, or $5.7 million excluding the 53rd week of operations in 2017, or 0.4% as a percentage of related revenues. This decrease was primarily due to a decline in North American restaurant sales and the Company's commitment to reduce its overall profit margin as additional support to franchisees. In addition, the lower commissary margin is due to the required reporting of $2.6 million in new store franchise equipment incentives as a revenue reduction under Topic 606, as previously discussed. The reduction attributable to the equipment incentives is offset by a reduction in General and administrative costs.

The international operating margin was 38.6% in 2018 compared to 38.1% in 2017 and consisted of the following (dollars in thousands):

	Year Ended							
	December 30, 2018				December 31, 2017			
	Revenues	Expenses	Margin $	Margin %	Revenues	Expenses	Margin $	Margin %
Franchise royalties and fees	$ 35,988	$ -	$ 35,988		$ 35,125	$ -	$ 35,125	
Restaurant, commissary and other	74,361	67,775	6,586	8.9%	78,896	70,622	8,274	10.5%
Total international	$ 110,349	$ 67,775	$ 42,574	38.6%	$ 114,021	$ 70,622	$ 43,399	38.1%

The international operating margin decreased $800,000, which was primarily due to the benefit of $700,000 from the 53rd week of operations in 2017. Additionally, higher royalties from increased equivalent units were offset by lower new store opening fees after the adoption of Topic 606 and a lower United Kingdom QCC margin of $700,000 due to the required reporting of franchise new store equipment incentives under Topic 606, as previously discussed. These incentives were previously recorded as General and administrative expenses. As a percentage of international revenues, the operating margin increased 0.5% primarily due to the divestiture of our China operations in the second quarter of 2018.

The Other revenues and expenses consisted of the following for the years ended December 30, 2018 and December 31, 2017 (dollars in thousands):

	Year Ended			
	December 30, 2018		December 31, 2017	
Other revenues	$ 81,428		$ 72,179	
Other expenses	84,016		69,335	
Margin (loss)	$ (2,588)	(3.2%)	$ 2,844	3.9%

As previously discussed, other revenues and other expenses are new financial statement line items in 2018. The margin from Other operations decreased $5.4 million in 2018 primarily due to higher costs related to various technology initiatives and increased advertising spend in the United Kingdom.

General and administrative ("G&A") expenses were $192.6 million, or 12.2% of revenues for 2018 compared to $150.9 million, or 8.5% of revenues for 2017. G&A expenses consisted of the following (dollars in thousands):

	Year Ended	
	December 30, 2018	December 31, 2017
Contribution to National Marketing Fund (a)	$ 10,000	$ -
Re-imaging costs for restaurants and write-off of brand assets (b)	5,841	-
Provision (credit) for uncollectible accounts and notes receivable (c)	3,338	(1,441)
Loss on disposition of fixed assets	2,233	2,493
Papa Rewards (d)	-	1,046
Franchise support initiative (e)	34	2,986
Other	(1,725)	343
Other general expenses	19,721	5,427
Special Committee costs (f)	19,474	-
Administrative expenses (g)	153,356	145,439
General and administrative expenses (h)	$ 192,551	$ 150,866

(a) Contributions to National Marketing Fund to increase marketing and promotional activities during 2018.
(b) During 2018, the Company paid for certain re-imaging costs for both Company-owned and franchise units.
(c) Bad debt recorded on accounts receivable and notes receivable.
(d) Online customer loyalty program in 2017. In 2018, the Company adopted Topic 606 with updated accounting guidelines for loyalty programs.
(e) Franchise incentives include incentives to franchisees for opening new restaurants. In 2018, the Company adopted Topic 606 with updated accounting guidelines for new store equipment incentives, which are now recorded as a reduction of commissary revenues.
(f) Costs totaling approximately $19.5 million associated with the activities of the Special Committee of the Board of Directors, including legal and advisory costs related to the review of a wide range of strategic opportunities for the Company that culminated in the recent strategic investment in the Company by affiliates of Starboard Value LP, as well as a third-party audit of the culture of Papa John's.
(g) The increase in administrative expenses is mainly due to higher technology initiative costs and a $1.5 million contribution to our newly formed Papa John's Foundation, a separate legal entity that is not consolidated in the Company's results. In addition, administrative expenses increased due to higher legal and professional fees not associated with the Special charges.
(h) The impact of the 53rd week in 2017 was $900,000 additional expense.

See "Recent Developments and Trends" and "Note 19" of "Notes to Consolidated Financial Statements" for additional Special charges details.

Depreciation and amortization was $46.4 million, or 2.9% of revenues in 2018, as compared to $43.7 million, or 2.4% of revenues for 2017. This increase of $2.7 million from 2017 was primarily due to additional depreciation on technology related investments and the impact associated with our Georgia quality control center, which opened in July of 2017.

Refranchising and impairment gains/(losses), net. 2018 includes a $289,000 loss primarily due to the China refranchise of the 34 Company-owned restaurants and the quality control center in China that occurred in 2018, substantially offset by refranchising gains related to the refranchising of 62 Company-owned restaurants in North America in 2018. The full year 2017 amount includes an impairment charge of $1.7 million related to our Company-owned stores in China. See "Note 9" of "Notes to Consolidated Financial Statements" for additional information.

Interest expense. Interest expense increased approximately $14.0 million primarily due to higher average outstanding debt balances, which is primarily due to share repurchases, as well as higher interest rates. The 53rd week of operations in 2017 increased interest expense for the year by approximately $300,000.

Income tax expense. The effective income tax rates were 44.9% in 2018 and 24.1% in 2017. The increase in the effective income tax rate for 2018 was primarily attributable to the rate increase related to the China divestiture, as previously detailed in the Special items. Additionally, the rate for 2017 was decreased by the one-time benefit of approximately $7.0 million for the remeasurement of deferred tax assets and liabilities after the Tax Act was signed into law. See “Items Impacting Comparability” and “Notes 9 and 17” of “Notes to Consolidated Financial Statements for additional information.

	Years Ended	
	December 30, 2018	**December 31, 2017**
Income before income taxes	$ 5,891	$ 140,342
Income tax expense	2,646	33,817
Effective tax expense	44.9%	24.1%

Diluted earnings per share. Diluted earnings per share (“EPS”) were $0.05 for 2018 compared to $2.83 in 2017. Excluding Special items, adjusted EPS in 2018 was $1.34, a decrease of 46.6% versus 2017 adjusted EPS of $2.51.

2017 Compared to 2016

Discussion of Revenues. Consolidated revenues increased $69.7 million, or 4.1%, to $1.78 billion in 2017, compared to $1.71 billion in 2016. Revenues for the 53rd week of operations in 2017 approximated $30.9 million, or 1.8%. Revenues are summarized in the following table (dollars in thousands).

(In thousands)	Year Ended Dec. 31, 2017	Year Ended Dec. 25, 2016	Increase (decrease) $	Increase (decrease) %
Domestic Company-owned restaurant sales	$ 816,718	$ 815,931	$ 787	0.1 %
North America franchise royalties and fees	106,729	102,980	3,749	3.6 %
North America commissary	673,712	623,883	49,829	8.0 %
International	114,021	100,904	13,117	13.0 %
Other revenues	72,179	69,922	2,257	3.2 %
Total Revenues	$ 1,783,359	$ 1,713,620	$ 69,739	4.1 %

Domestic Company-owned restaurant sales increased $787,000, or 0.1% in 2017. Excluding the benefit of the 53rd week of operations of $15.6 million, the Domestic Company-owned restaurant sales decreased $14.8 million, or 1.8% in 2017, primarily due to a 3.1% reduction in equivalent units in 2017 from the refranchising of 42 restaurants in the fourth quarter of 2016. This was somewhat offset by an increase of 0.4% in comparable sales.

North America franchise royalties and fees increased $3.7 million, or 3.6% in 2017, primarily due to an increase in equivalent units of 2.2% mainly due to the refranchising of 42 restaurants in 2016 and a benefit of $1.9 million, or 1.8% for the 53rd week of operations. North America franchise restaurant systemwide sales increased 4.7% to $2.3 billion ($2.25 billion on a 52 week basis) primarily due to the increase in equivalent units noted above. These increases were slightly offset by lower comparable sales of negative 0.1%. Franchise restaurant sales are not included in Company revenues; however, our North America royalty revenue is derived from these sales.

North America commissary revenues increased $49.8 million, or 8.0% in 2017, primarily due higher sales from higher commodity pricing as well as higher volumes. The benefit from the 53rd week of operations was approximately $10.8 million, or 1.6%.

International revenues increased approximately $13.1 million, or 13.0% in 2017. This increase is net of the unfavorable impact of foreign currency rates of approximately $4.1 million. The increase was primarily due to the following:

- Royalties and commissary revenues increased due to a higher number of franchised restaurants and comparable sales of 4.4%, calculated on a constant dollar basis. International franchise restaurant systemwide sales increased 17.3% to $761.3 million ($744.0 million on a 52 week basis) in 2017. International franchise restaurant systemwide sales are not included in Company revenues; however, our international royalty revenue is derived from these sales.
- The benefit of the 53rd week of operations was $2.2 million, or 2.0%.
- These increases were somewhat offset by lower China Company-owned restaurant revenues due to fewer restaurants in 2017.

Other revenues increased $2.3 million, or 3.2% in 2017 primarily due to higher online sales, partially offset by lower sales for Preferred Marketing Solutions, our print and promotions subsidiary. The benefit from the 53rd week of operations was approximately $400,000, or 0.6%. 2017 and 2016 revenues were reclassified for comparability to 2018 presentation. See “Note 24” of “Notes to Consolidated Financial Statements” for additional information.

Costs and expenses. The operating margin for domestic Company-owned restaurants was 18.6% in 2017 and 20.2% in 2016, and consisted of the following (dollars in thousands):

	Year Ended			
	December 31, 2017		December 25, 2016	
Restaurant sales	$ 816,718		$ 815,931	
Cost of sales	188,017	23.0%	186,226	22.8%
Other operating expenses	476,623	58.4%	465,310	57.0%
Total expenses	$ 664,640	81.4%	$ 651,536	79.8%
Margin	$ 152,078	18.6%	$ 164,395	20.2%

Domestic Company-owned restaurants margin decreased $12.3 million, or 1.6%, as a percentage of restaurant sales. The decrease was primarily attributable to higher automobile and workers compensation insurance costs of approximately $6.2 million as well as higher cost of sales from higher commodities, mainly cheese and meats. The higher labor costs from higher minimum wages were offset by lower restaurant bonuses due to the lower operating results and sales results that were below target. These decreases in operating income were somewhat offset by the benefit from the 53rd week of operations in 2017 of approximately $2.4 million.

The North America commissary and other operating margin was 6.3% in 2017 compared to 7.1% in 2016, and consisted of the following (dollars in thousands):

	Year Ended			
	December 31, 2017		December 25, 2016	
North America commissary sales	$ 673,712		$ 623,883	
North America commissary expenses	631,537		579,834	
Margin	$ 42,175	6.3%	$ 44,049	7.1%

The North America commissary margin was $1.9 million lower in 2017, or 0.8%, as a percentage of related revenues, primarily due to the start-up and higher operating costs related to our new commissary in Georgia that opened in the third quarter of 2017, partially offset by the increase in income from higher volumes. The decrease in operating margin was somewhat offset by the $2.0 million benefit of the 53rd week.

The international operating margin was 37.5% in 2017 compared to 36.8% in 2016 and consisted of the following (dollars in thousands):

	Year Ended							
	December 31, 2017				December 25, 2016			
	Revenues	Expenses	Margin $	Margin %	Revenues	Expenses	Margin $	Margin %
Franchise royalties and fees	$ 35,125	$ -	$ 35,125		$ 30,040	$ -	$ 30,040	
Restaurant, commissary and other	78,896	70,622	8,274	10.5%	70,864	62,574	8,290	11.7%
Total international	$ 114,021	$ 70,622	$ 43,399	38.1%	$ 100,904	$ 62,574	$ 38,330	38.0%

The increase in international operating margins of $5.1 million was primarily due to higher franchise royalties due to an increase in the number of restaurants and comparable sales of 4.4%. This increase also includes approximately $700,000 for the 53rd week of operations in 2017. These increases were partially offset by a lower operating margin for our Company-owned stores in China.

As previously discussed, other revenues and other expenses are new financial statement line items in 2018. Related 2017 and 2016 amounts have been reclassified for comparability to 2018 presentation. See “Note 24” of “Notes to Consolidated Financial Statements” for additional information.

The Other revenues and expenses margin, as detailed below for 2017 and 2016, was slightly lower by approximately $825,000 primarily due to lower margin for Preferred Marketing Solutions, our print and promotions subsidiary.

The Other revenues and expenses consisted of the following for 2017 and 2016 (dollars in thousands):

	Year Ended			
	December 31, 2017		December 25, 2016	
Other revenues	$ 72,179		$ 69,922	
Other expenses	69,335		66,253	
Margin (loss)	$ 2,844	3.9%	$ 3,669	5.2%

General and administrative (G&A) expenses were $150.9 million, or 8.5% of revenues for 2017, compared to $158.1 million, or 9.2% of revenues for 2016. The decrease of $7.2 million for 2017 was primarily due to lower management incentive costs and lower restaurant supervisor bonuses, which were somewhat offset by higher salaries and benefits. The 53rd week of operations in 2017 increased general and administrative expenses by approximately $900,000.

Depreciation and amortization was $43.7 million, or 2.4% of revenues in 2017, as compared to $41.0 million, or 2.4% of revenues for 2016. This increase of $2.7 million from 2016 was primarily due to higher depreciation on additional technology assets associated with digital initiatives.

Refranchising and impairment gains/(losses), net. The full year 2017 amount includes an impairment charge of $1.7 million related to our Company-owned stores in China that were held for sale. We incurred a related impairment charge in 2016 for $1.4 million. See “Items Impacting Comparability” and “Note 7” of “Notes to Consolidated Financial Statements” for additional information. The full year 2017 amount has no refranchising activity whereas 2016 includes a gain of $11.6 million from the refranchising of our Company-owned Phoenix market with 42 restaurants.

Legal settlement. The 2017 results have no significant legal settlement amounts whereas 2016 includes a favorable legal settlement finalization of $898,000 related to the collective and class action, *Perrin v. Papa John’s International, Inc. and Papa John’s USA.* The settlement amount was finalized and paid in 2016 and the expense was adjusted accordingly.

Interest expense. Interest expense increased approximately $4.1 million primarily due to higher average outstanding debt balances, which is primarily due to share repurchases, as well as higher interest rates. The 53rd week of operations in 2017 increased interest expense for the year by approximately $300,000.

Income tax expense. The effective income tax rates were 24.1% in 2017 and 31.3% in 2016. The decrease in the effective income tax rates for 2017 was primarily attributable to the impact of Tax Act which was signed into law at the end of 2017. The Tax Act contains substantial changes to the Internal Revenue Code including a reduction of the U.S. corporate tax rate from 35% to 21% effective January 1, 2018. Upon enactment, 2017 deferred tax assets and liabilities were remeasured. This remeasurement yielded a one-time benefit of approximately $7.0 million in the fourth quarter of 2017. Given the substantial changes associated with the Tax Act, the estimated financial impacts for 2017 are provisional and subject to further interpretation and clarification of the Tax Act during 2018. See “Items Impacting Comparability” and “Note 2” of “Notes to Consolidated Financial Statements” for additional information.

Diluted earnings per share. Diluted EPS were $2.83 for 2017 compared to $2.74 in 2016, an increase of 3.3%. Excluding Special items, adjusted EPS was $2.62, an increase of 2.7% versus 2016 adjusted EPS of $2.55. This increase includes the $0.11 favorable impact of the 53rd week, a favorable tax rate and lower share count. These favorable items were somewhat offset by other decreases in income.

Liquidity and Capital Resources

Debt

On August 30, 2017, the Company entered into a credit agreement (the “Credit Agreement”) which provided for a revolving credit facility in an aggregate principal amount of $600.0 million (the “Revolving Facility”) and a term loan facility in an aggregate principal amount of $400.0 million (the “Term Loan Facility”) and together with the Revolving Facility, the “Facilities”. The Facilities mature on August 30, 2022. The loans under the Facilities, after giving effect to the Amendment described below, accrue interest at a per annum rate equal to, at the Company’s election, either a LIBOR rate plus a margin ranging from 125 to 250 basis points or a base rate (generally determined by a prime rate, federal funds rate or a LIBOR rate plus 1.00%) plus a margin ranging from 25 to 150 basis points. In each case, the actual margin is determined according to a ratio of the Company’s total indebtedness to earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the then most recently ended four-quarter period (the “Leverage Ratio”). Quarterly amortization payments are required to be made on the Term Loan Facility in the amount of $5.0 million which began in the fourth quarter of 2017. Loans outstanding under the Credit Agreement may be prepaid at any time without premium or penalty, subject to customary breakage costs in the case of borrowings for which a LIBOR rate election is in effect. Up to $35.0 million of the Revolving Facility may be advanced in certain agreed foreign currencies, including Euros, Pounds Sterling, Canadian Dollars, Japanese Yen, and Mexican Pesos. The Credit Agreement contains customary affirmative and negative covenants, including financial covenants requiring the maintenance of the Leverage Ratio and a specified fixed charge coverage ratio.

On October 9, 2018, we entered into an amendment to the Credit Agreement (the “Amendment”). The amendments and modifications to the Credit Agreement are effective through the remainder of the term of the Facilities and include, without limitation, the following:

- reduction of the maximum amount available under the Revolving Facility to $400.0 million; there was no change in available Term Loan Facility borrowings;
- amendment to the definition of EBITDA to exclude certain costs recorded as Special charges (up to certain pre-defined limits) as detailed in “Note 19” of the “Notes to Consolidated Financial Statements”;
- modification of the financial covenants in the Credit Agreement by increasing the permitted Leverage Ratio to 5.25 to 1.0 beginning in the third quarter of 2018, decreasing over time to 4.00 to 1.0 by 2022; and decreasing the permitted specified fixed charge coverage ratio to 2.00 to 1.0 beginning in the third quarter of 2018 and increasing over time to 2.50 to 1.0 in 2021 and thereafter. We were in compliance with these financial covenants at December 30, 2018;

- certain modifications to the negative covenant restricting the ability to make dividends and distributions. If the Leverage Ratio is above 3.75 to 1.0, the Company cannot repurchase any of its shares of common stock and cannot increase the cash dividend above the lesser of $0.225 per share per quarter or $35 million per fiscal year;
- increase in the interest rate payable on outstanding loans for the Facilities based on the Leverage Ratio as follows:
  - removal of interest rate pricing tiers if the Leverage Ratio of the Company is less than 1.50 to 1.00;
  - if the Leverage Ratio of the Company is greater than 3.50 to 1.00 but less than 4.50 to 1.00, the Company will pay an additional 0.25% per annum interest rate margin on the outstanding loans under the Facilities and an additional 0.05% per annum commitment fee on the unused portion of the Revolving Facility;
  - if the Leverage Ratio of the Company is greater than 4.50 to 1.00, the Company will pay an additional 0.50% per annum interest rate margin on the outstanding loans under the Facilities and an additional 0.10% per annum commitment fee on the unused portion of the Revolving Facility; and
- requirement that the Company and certain direct and indirect domestic subsidiaries of the Company grant a security interest in substantially all of the capital stock and equity interests of their respective domestic and first tier material foreign subsidiaries to secure the obligations owing under the Facilities.

Under the Credit Agreement, as amended, we have the option to increase the Revolving Facility or the Term Loan Facility in an aggregate amount of up to $300.0 million, subject to the Leverage Ratio of the Company not exceeding 4.00 to 1.0.

Our outstanding debt of $625.0 million at December 30, 2018 under the Facilities was composed of $375.0 million outstanding under the Term Loan Facility and $250.0 million outstanding under the Revolving Facility. Including outstanding letters of credit, the Company's remaining availability under the Facilities at December 30, 2018 was approximately $110.0 million.

As of December 30, 2018, the Company had approximately $3.9 million in unamortized debt issuance costs, which are being amortized into interest expense over the term of the Facilities. Upon execution of the Amendment, we wrote off approximately $560,000 of these unamortized debt issuance costs in accordance with applicable accounting guidance. The Company also incurred additional amendment fees of approximately $1.9 million, which will be amortized into interest expense over the remaining term of the Facilities.

We use interest rate swaps to hedge against the effects of potential interest rate increases on borrowings under our Facilities. As of December 30, 2018, we have the following interest rate swap agreements:

Effective Dates	Floating Rate Debt		Fixed Rates
April 30, 2018 through April 30, 2023	$	55 million	2.33 %
April 30, 2018 through April 30, 2023	$	35 million	2.36 %
April 30, 2018 through April 30, 2023	$	35 million	2.34 %
January 30, 2018 through August 30, 2022	$	100 million	1.99 %
January 30, 2018 through August 30, 2022	$	75 million	1.99 %
January 30, 2018 through August 30, 2022	$	75 million	2.00 %
January 30, 2018 through August 30, 2022	$	25 million	1.99 %

Our Credit Agreement contains affirmative and negative covenants, including the following financial covenants, as defined by the Credit Agreement:

	Permitted Ratio	Actual Ratio for the Year Ended December 30, 2018
Leverage Ratio	Not to exceed 5.25 to 1.0	4.7 to 1.0
Interest Coverage Ratio	Not less than 2.0 to 1.0	2.8 to 1.0

As stated above, our leverage ratio is defined as outstanding debt divided by consolidated EBITDA for the most recent four fiscal quarters. Our interest coverage ratio is defined as the sum of consolidated EBITDA and consolidated rental expense for the most recent four fiscal quarters divided by the sum of consolidated interest expense and consolidated rental expense for the most recent four fiscal quarters. We were in compliance with all financial covenants as of December 30, 2018.

Cash Flows

Cash flow provided by operating activities was $72.8 million for 2018 as compared to $135.0 million in 2017. The decrease of approximately $62.2 million was primarily due to lower net income, somewhat offset by favorable changes in working capital items. The decrease in cash flow provided by operating activities in 2017 compared to 2016 was primarily due to lower net income.

The Company's free cash flow for the last three years was as follows (in thousands):

	Year Ended		
	Dec. 30, 2018	Dec. 31, 2017	Dec. 25, 2016
Net cash provided by operating activities	$ 72,795	$ 134,975	$ 150,257
Purchases of property and equipment	(42,028)	(52,593)	(55,554)
Free cash flow (a)	$ 30,767	$ 82,382	$ 94,703

(a) Free cash flow, a non-GAAP measure, is defined as net cash provided by operating activities (from the Consolidated Statements of Cash Flows) less the purchases of property and equipment. We view free cash flow as an important liquidity measure because it is one factor that management uses in determining the amount of cash available for investment. However, it does not represent residual cash flows available for discretionary expenditures. Free cash flow is not a term defined by GAAP, and as a result, our measure of free cash flow might not be comparable to similarly titled measures used by other companies. Free cash flow should not be construed as a substitute for or a better indicator of our liquidity or performance than the Company's GAAP measures.

Cash flow used in investing activities was $38.8 million in 2018 as compared to $56.5 million for the same period in 2017. The decrease in cash flow used in investing activities was primarily due to lower capital spend as 2017 included construction costs for our commissary in Georgia, which opened in July of 2017. We also received $7.7 million in proceeds from the refranchising of our joint ventures in Denver and Minnesota in 2018.

We also use capital for share repurchases and the payment of cash dividends, which are funded by cash flow from operations and borrowings from our Credit Agreement. In 2018, we had net proceeds of $155.0 million from the issuance of long-term debt and used $158.0 million for share repurchases. In 2017, we had net proceeds of approximately $169.4 million from issuance of additional debt under the Credit Agreement and used $209.6 million for share repurchases.

Funding for our share repurchase program that expired on February 27, 2019, was provided through our credit facilities, operating cash flow, stock option exercises and cash and cash equivalents. For the year ended December 30, 2018, the Company purchased $158.0 million of stock comprising approximately 2.7 million shares. In connection with the execution of the Amendment to our Credit Agreement in October 2018, the Company cannot repurchase shares when our Leverage Ratio, as defined in the Credit Agreement, is higher than 3.75 to 1.0. As of December 30, 2018, our Leverage Ratio was 4.7 to 1.0.

The following is a summary of our common share repurchases for the last three years (in thousands, except average price per share):

Fiscal Year	Number of Shares Repurchased	Dollar Amount Repurchased	Average Price Per Share
2016	2,145	$ 122,381	$ 57.03
2017	2,960	$ 209,586	$ 70.80
2018	2,698	$ 158,049	$ 58.57

We paid cash dividends of $29.0 million in 2018 ($0.90 per share), $30.7 million in 2017 ($0.85 per share) and $27.9 million in 2016 ($0.75 per share). Subsequent to year end, our Board of Directors declared a first quarter 2019 dividend of $0.225 per common share, or approximately $8.0 million, including the Series B Preferred Stock dividend on an as-converted basis to common stock. The dividend was paid on February 22, 2019 to shareholders of record as of the close of business on February 11, 2019. In connection with the execution of our amended Credit Facility in October 2018, no increase in dividends per share may occur when the Leverage Ratio, as defined, is higher than 3.75 to 1.0.

On February 3, 2019, the Company entered into the Securities Purchase Agreement with Starboard, pursuant to which the Company sold to Starboard 200,000 shares of Series B Preferred Stock at a purchase price of $1,000 per share, for an aggregate purchase price of $200,000,000. Starboard also has the option exercisable at their discretion, to purchase up to an additional 50,000 shares of Series B Preferred Stock on or prior to March 29, 2019 for the same price per share. The Series B Preferred Stock is convertible at the option of the holders at any time into shares of common stock based on the conversion rate determined by dividing $1,000, the stated value of the Series B Preferred Stock, by $50.06. The initial dividend rate of the Series B Preferred Stock will be 3.6% per annum on the stated value of $1,000 per share, payable quarterly in arrears. The Series B Preferred Stock will also participate on an as-converted basis in any regular or special dividends paid to common stockholders. The Series B Preferred Stock will be reported as temporary equity on the Company's Consolidated Balance Sheet. In addition, the Company has the right to offer up to 10,000 shares of Series B Preferred Stock to qualified Papa John's franchisees, subject to certain conditions, on the same terms as Starboard.

Contractual Obligations

Contractual obligations and payments as of December 30, 2018 due by year are as follows (in thousands):

	Payments Due by Period				
	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years	Total
Contractual Obligations:					
Term Loan Facility (1)	$20,000	$ 40,000	$315,000	$ —	$ 375,000
Revolving Facility (1)	—	—	250,000	—	250,000
Interest payments (2)	29,710	59,420	21,333	—	110,463
Total debt	49,710	99,420	586,333	—	735,463
Operating leases (3)	40,834	67,790	43,882	57,304	209,810
Total contractual obligations	$90,544	$167,210	$630,215	$57,304	$ 945,273

(1) We utilize interest rate swaps to hedge our variable rate debt. At December 30, 2018, we had an interest rate swap asset of $4.9 million recorded in other current and other long-term assets in the Consolidated Balance Sheet.
(2) Interest payments assume an outstanding debt balance of $625.0 million. Interest payments are calculated based on LIBOR plus the applicable margin in effect at December 30, 2018, and considers the interest rate swap agreements in effect. The actual interest rates on our variable rate debt and the amount of our indebtedness could vary from those used to compute the above interest payments. See "Note 11" of "Notes to Consolidated Financial Statements" for additional information concerning our debt and credit arrangements.
(3) See "Note 19" of "Notes to Consolidated Financial Statements" for additional information. The above amounts exclude future expected sub-lease income in the United Kingdom.

The above table does not include the following:

- Unrecognized tax benefits of $2.0 million since we are not able to make reasonable estimates of the period of cash settlement with respect to the taxing authority.
- Redeemable noncontrolling interests of $5.5 million as we are not able to predict the timing of the redemptions.

Off-Balance Sheet Arrangements

The off-balance sheet arrangements that are reasonably likely to have a current or future effect on the Company's financial condition are operating leases of Company-owned restaurant sites, QC Centers, office space and transportation equipment. Refer to "Note 2" to the "Consolidated Financial Statements" for additional information related to the anticipated impacts of adoption of new accounting standards affecting accounting for leases. We also guarantee leases for certain Papa John's North American franchisees who have purchased restaurants that were previously Company-owned. We are contingently liable on these leases. These leases have varying terms, the latest of which expires in 2025. As of December 30, 2018, the estimated maximum amount of undiscounted payments the Company could be required to make in the event of nonpayment by the primary lessees was approximately $11.9 million.

We have certain other commercial commitments where payment is contingent upon the occurrence of certain events. Such commitments include the following by year (in thousands):

	Amount of Commitment Expiration Per Period				
	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years	Total
Other Commercial Commitments:					
Standby letters of credit	$39,945	$ —	$ —	$ —	$ 39,945

We are party to standby letters of credit with off-balance sheet risk associated with our insurance programs. See “Note 11” and “Note 19” of “Notes to Consolidated Financial Statements” for additional information related to contractual and other commitments.

Forward-Looking Statements

Certain matters discussed in this Annual Report on Form 10-K and other Company communications constitute forward-looking statements within the meaning of the federal securities laws. Generally, the use of words such as “expect,” “intend,” “estimate,” “believe,” “anticipate,” “will,” “forecast,” “plan,” “project,” or similar words identify forward-looking statements that we intend to be included within the safe harbor protections provided by the federal securities laws. Such forward-looking statements may relate to projections or guidance concerning business performance, revenue, earnings, cash flow, earnings per share, contingent liabilities, resolution of litigation, commodity costs, currency fluctuations, profit margins, unit growth, unit level performance, capital expenditures, restaurant and franchise development, the strategic investment by Starboard and use of the proceeds, the ability of the Company to mitigate negative consumer sentiment through advertising, marketing and promotional activity, corporate governance, new Board leadership, future costs related to the Company’s response to the negative consumer sentiment, management reorganizations, compliance with debt covenants, shareholder and other stakeholder engagement, strategic decisions and actions, the cultural audit and investigation, share repurchases, dividends, effective tax rates, regulatory changes and impacts, the impact of the Tax Cuts and Jobs Act and the adoption of new accounting standards, and other financial and operational measures. Such statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict and many of which are beyond our control. Therefore, actual outcomes and results may differ materially from those matters expressed or implied in such forward-looking statements. The risks, uncertainties and assumptions that are involved in our forward-looking statements include, but are not limited to:

- negative publicity and consumer sentiment as a result of statements by the Company’s founder and former spokesperson, which may continue to cause sales to decline and/or change consumers’ acceptance of and enthusiasm for our brand;
- costs the Company expects to continue to incur as a result of the recent negative publicity and negative consumer sentiment, including costs related to the external cultural audit and investigation, costs associated with the operations of the Special Committee, any costs associated with related litigation, legal fees, and increased costs for branding initiatives and launching a new advertising and marketing campaign and promotions to mitigate negative consumer sentiment and negative sales trends;
- costs the Company expects to continue to incur relating to franchisee financial assistance to mitigate store closings;
- the ability of the Company to mitigate the negative consumer sentiment through advertising, marketing and promotional activities;
- the Company’s ability to regain lost customers and/or mitigate or reverse negative sales trends;
- aggressive changes in pricing or other marketing or promotional strategies by competitors, which may adversely affect sales and profitability; and new product and concept developments by food industry competitors;

- changes in consumer preferences or consumer buying habits, including the growing popularity of delivery aggregators, as well as changes in general economic conditions or other factors that may affect consumer confidence and discretionary spending;
- the adverse impact on the Company or our results caused by product recalls, food quality or safety issues, incidences of foodborne illness, food contamination and other general public health concerns about our Company-owned or franchised restaurants or others in the restaurant industry;
- the effectiveness of our initiatives to improve our brand proposition and operating results, including marketing, advertising and public relations initiatives, technology investments and changes in unit-level operations;
- the risk that any new advertising or marketing campaign may not be effective in increasing sales;
- the ability of the Company and its franchisees to meet planned growth targets and operate new and existing restaurants profitably, including difficulties finding qualified franchisees, store level employees or suitable sites;
- increases in food costs or sustained higher other operating costs. This could include increased employee compensation, benefits, insurance, tax rates, new regulatory requirements or increasing compliance costs;
- increases in insurance claims and related costs for programs funded by the Company up to certain retention limits, including medical, owned and non-owned vehicles, workers' compensation, general liability and property;
- disruption of our supply chain or commissary operations which could be caused by our sole source of supply of cheese or limited source of suppliers for other key ingredients or more generally due to weather, natural disasters including drought, disease, or geopolitical or other disruptions beyond our control;
- increased risks associated with our international operations, including economic and political conditions, instability or uncertainty in our international markets, especially emerging markets, fluctuations in currency exchange rates, difficulty in meeting planned sales targets and new store growth;
- the impact of the sale of Series B Preferred Stock to Starboard, which dilutes the economic and relative voting power of holders of our common stock and may adversely affect the market price of our common stock, affect our liquidity and financial condition, or delay or prevent an attempt to take over the Company;
- Starboard's ability to exercise influence over us, including through its ability to designate up to two members of our Board of Directors;
- failure to raise the funds necessary to finance a required repurchase of our Series B Preferred Stock;
- failure to realize the anticipated benefits from our investment of the proceeds of the Series B Preferred Stock in our strategic priorities;
- the impact of current or future claims and litigation and our ability to comply with current, proposed or future legislation that could impact our business including compliance with the European Union General Data Protection Regulation;
- maintaining compliance with amended debt covenants under our credit agreement if restaurant sales and operating results continue to decline;
- the Company's ability to continue to pay dividends to shareholders based upon profitability, cash flows and capital adequacy if restaurant sales and operating results continue to decline;
- failure to effectively execute succession planning;
- disruption of critical business or information technology systems, or those of our suppliers, and risks associated with systems failures and data privacy and security breaches, including theft of confidential company, employee and customer information, including payment cards;
- changes in Federal or state income, general and other tax laws, rules and regulations, including changes from the Tax Cuts and Jobs Act and any related Treasury regulations, rules or interpretations if and when issued; and
- changes in generally accepted accounting principles including the new standard for leasing.

These and other risk factors are discussed in detail in "Part I. Item 1A. — Risk Factors" of this Annual Report on Form 10-K. We undertake no obligation to update publicly any forward-looking statements, whether as a result of future events, new information or otherwise, except as required by law.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

On August 30, 2017, the Company entered into a credit agreement (the "Credit Agreement") which provided for an unsecured revolving credit facility in an aggregate principal amount of $600.0 million (the "Revolving Facility") and an unsecured term loan facility in an aggregate principal amount of $400.0 million (the "Term Loan Facility") and together with the Revolving Facility, the "Facilities". The Facilities mature on August 30, 2022. The loans under the Facilities, after giving effect to the Amendment described below, accrue interest at a per annum rate equal to, at the Company's election, either a LIBOR rate plus a margin ranging from 125 to 250 basis points or a base rate (generally determined by a prime rate, federal funds rate or a LIBOR rate plus 1.00%) plus a margin ranging from 25 to 150 basis points. In each case, the actual margin is determined according to a ratio of the Company's total indebtedness to earnings before interest, taxes, depreciation and amortization ("EBITDA") for the then most recently ended four-quarter period (the "Leverage Ratio"). Quarterly amortization payments are required to be made on the Term Loan Facility in the amount of $5.0 million which began in the fourth quarter of 2017. Loans outstanding under the Credit Agreement may be prepaid at any time without premium or penalty, subject to customary breakage costs in the case of borrowings for which a LIBOR rate election is in effect. Up to $35.0 million of the Revolving Facility may be advanced in certain agreed foreign currencies, including Euros, Pounds Sterling, Canadian Dollars, Japanese Yen, and Mexican Pesos. The Credit Agreement contains customary affirmative and negative covenants, including financial covenants requiring the maintenance of the Leverage Ratio and a specified fixed charge coverage ratio.

On October 9, 2018, we entered into an amendment to the Credit Agreement (the "Amendment"). The amendments and modifications to the Credit Agreement are effective through the remainder of the term of the Facilities and include, without limitation, the following:

- reduction of the maximum amount available under the Revolving Facility to $400.0 million; there was no change in available Term Loan Facility borrowings;
- amendment to the definition of EBITDA to exclude certain costs recorded as Special charges (up to certain pre-defined limits) as detailed in Note 19 "Commitments and Contingencies";
- modification of the financial covenants in the Credit Agreement by increasing the permitted Leverage Ratio to 5.25 to 1.0 beginning in the third quarter of 2018, decreasing over time to 4.00 to 1.0 by 2022; and decreasing the permitted specified fixed charge coverage ratio to 2.00 to 1.0 beginning in the third quarter of 2018 and increasing over time to 2.50 to 1.0 in 2021 and thereafter. We were in compliance with these financial covenants at December 30, 2018;
- certain modifications to the negative covenant restricting the ability to make dividends and distributions. If the Leverage Ratio is above 3.75 to 1.0, the Company cannot repurchase any of its shares of common stock and cannot increase the cash dividend above the lesser of $0.225 per share per quarter or $35 million per fiscal year;
- increase in the interest rate payable on outstanding loans for the Facilities based on the Leverage Ratio as follows:
  - Ø removal of interest rate pricing tiers if the Leverage Ratio of the Company is less than 1.50 to 1.00;
  - Ø if the Leverage Ratio of the Company is greater than 3.50 to 1.00 but less than 4.50 to 1.00, the Company will pay an additional 0.25% per annum interest rate margin on the outstanding loans under the Facilities and an additional 0.05% per annum commitment fee on the unused portion of the Revolving Facility;
  - Ø if the Leverage Ratio of the Company is greater than 4.50 to 1.00, the Company will pay an additional 0.50% per annum interest rate margin on the outstanding loans under the Facilities and an additional 0.10% per annum commitment fee on the unused portion of the Revolving Facility; and
- requirement that the Company and certain direct and indirect domestic subsidiaries of the Company grant a security interest in substantially all of the capital stock and equity interests of their respective domestic and first tier material foreign subsidiaries to secure the obligations owing under the Facilities.

Under the Credit Agreement, we have the option to increase the Revolving Facility or the Term Loan Facility in an aggregate amount of up to $300.0 million, subject to the Leverage Ratio of the Company not exceeding 4.00 to 1.00.

Our outstanding debt of $625.0 million at December 30, 2018 under the Facilities was composed of $375.0 million outstanding under the Term Loan Facility and $250.0 million outstanding under the Revolving Facility. Including outstanding letters of credit, the Company's remaining availability under the Facilities at December 30, 2018 was approximately $110.0 million.

As of December 30, 2018, the Company had approximately $3.9 million in unamortized debt issuance costs, which are being amortized into interest expense over the term of the Facilities. Upon execution of the Amendment, we wrote off approximately $560,000 of these unamortized debt issuance costs in accordance with applicable accounting guidance. The Company also incurred additional amendment fees of approximately $1.9 million, which will be amortized into interest expense over the remaining term of the Facilities.

We attempt to minimize interest risk exposure by fixing our rate through the utilization of interest rate swaps, which are derivative financial instruments. Our swaps are entered into with financial institutions that participate in the Facilities. By using a derivative instrument to hedge exposures to changes in interest rates, we expose ourselves to credit risk. Credit risk is due to the possible failure of the counterparty to perform under the terms of the derivative contract.

We use interest rate swaps to hedge against the effects of potential interest rate increases on borrowings under our Facilities. As of December 30, 2018, we have the following interest rate swap agreements:

Effective Dates	Floating Rate Debt		Fixed Rates
April 30, 2018 through April 30, 2023	$	55 million	2.33 %
April 30, 2018 through April 30, 2023	$	35 million	2.36 %
April 30, 2018 through April 30, 2023	$	35 million	2.34 %
January 30, 2018 through August 30, 2022	$	100 million	1.99 %
January 30, 2018 through August 30, 2022	$	75 million	1.99 %
January 30, 2018 through August 30, 2022	$	75 million	2.00 %
January 30, 2018 through August 30, 2022	$	25 million	1.99 %

The weighted average interest rates on our debt, including the impact of the interest rate swap agreements, were 3.9% for the year ended December 30, 2018. An increase in the present interest rate of 100 basis points on the line of credit balance outstanding as of December 30, 2018 would increase annual interest expense by $2.3 million.

In July 2017, the Financial Conduct Authority (the authority that regulates LIBOR) announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The Alternative Reference Rates Committee ("ARRC") has proposed that the Secured Overnight Financing Rate ("SOFR") is the rate that represents best practice as the alternative to LIBOR for use in derivatives and other financial contracts that are currently indexed to LIBOR. ARRC has proposed a paced market transition plan to SOFR from LIBOR and organizations are currently working on industry wide and company specific transition plans as it relates to derivatives and cash markets exposed to LIBOR. The Company has material contracts that are indexed to LIBOR and is monitoring this activity and evaluating the related risks. Refer to "Recent Accounting Pronouncements" in "Note 2" of "Notes to Consolidated Financial Statements" for additional information.

Foreign Currency Exchange Rate Risk

We are exposed to foreign currency exchange rate fluctuations from our operations outside of the United States, which can adversely impact our revenues, net (loss) income and cash flows. Our international operations principally consist of distribution sales to franchised Papa John's restaurants 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. Approximately 8.3% of our 2018 revenues, 7.1% of our 2017 revenues and 6.6% of our revenues for 2016 were derived from these operations.

We have not historically hedged our exposure to foreign currency fluctuations. Foreign currency exchange rate fluctuations had a favorable impact of approximately $3.3 million in 2018 compared to an unfavorable impact of $4.1 million in 2017. Foreign currency exchange rates did not have a significant impact on our income before income taxes in 2018 and had a favorable impact of $1.0 million for 2017. An additional 10% adverse change in the foreign currency rates for our international markets would result in an additional negative impact on annual revenue and income before income taxes of $10.2 million and $2.1 million, respectively.

The outcome of the June 2016 referendum in the United Kingdom was a vote for the United Kingdom to cease to be a member of the European Union (known as "Brexit"). Among other things, this has resulted in a lower valuation, on a historical basis, of the British Pound in comparison to the US Dollar. The future impact of Brexit on our United Kingdom Quality Control Center ("QCC") and franchise operations included in the European Union could also include but may not be limited to additional currency volatility, supply chain risks specifically with United Kingdom QCC exports to countries within the European Union, and future trade, tariff, and regulatory changes. As of December 30, 2018, 30.1% of our total international restaurants are in countries within the European Union.

Commodity Price Risk

In the ordinary course of business, the food and paper products we purchase, including cheese (our largest ingredient cost), are subject to seasonal fluctuations, weather, availability, demand and other factors that are beyond our control. We have pricing agreements with some of our vendors, including forward pricing agreements for a portion of our cheese purchases for our domestic Company-owned restaurants, which are accounted for as normal purchases; however, we still remain exposed to on-going commodity volatility.

The following table presents the actual average block price for cheese by quarter in 2018, 2017 and 2016. Also presented is the projected 2019 average block price by quarter (based on the March 4, 2019 Chicago Mercantile Exchange cheese futures prices for 2019:

	2019 Projected Market	2018 Block Price	2017 Block Price	2016 Block Price
Quarter 1	$ 1.431	$ 1.522	$ 1.613	$ 1.473
Quarter 2	1.598	1.607	1.566	1.405
Quarter 3	1.678	1.592	1.642	1.691
Quarter 4	1.669	1.487	1.639	1.718
Full Year	$ 1.594	$ 1.552	$ 1.615	$ 1.572

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Papa John's International, Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheet of Papa John's International, Inc. and subsidiaries (the "Company") as of December 30, 2018, the related consolidated statements of operations, comprehensive income, stockholders' (deficit), and cash flows for the year ended December 30, 2018, and the related notes and financial statement Schedule II (collectively, the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 30, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 30, 2018, and the results of its operations and its cash flows for the year ended December 30, 2018, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 30, 2018 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for revenue from contracts with customers in 2018 due to the adoption of the new revenue standard.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, "Management's Report on Internal Control over Financial Reporting." Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audit of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

We have served as the Company's auditor since 2018.

Louisville, Kentucky
March 8, 2019

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Papa John’s International, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Papa John’s International, Inc. and Subsidiaries (the Company) as of December 31, 2017 and December 25, 2016, the related consolidated statements of income, comprehensive income, stockholders' equity (deficit) and cash flows for each of the two years in the period ended December 31, 2017, and the related notes and financial statement schedule for each of the two years in the period ended December 31, 2017 listed in the Index at Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2017 and December 25, 2016, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We served as the Company’s auditors from 1990 to 2018.

Louisville, Kentucky
February 27, 2018, except for Notes 16 and 24,
as to which the date is March 8, 2019

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

(In thousands, except per share amounts)	Year ended December 30, 2018	December 31, 2017	December 25, 2016
Revenues:			
Domestic Company-owned restaurant sales	$ 692,380	$ 816,718	$ 815,931
North America franchise royalties and fees	79,293	106,729	102,980
North America commissary	609,866	673,712	623,883
International	110,349	114,021	100,904
Other revenues	81,428	72,179	69,922
Total revenues	1,573,316	1,783,359	1,713,620
Costs and expenses:			
Operating costs (excluding depreciation and amortization shown separately below):			
Domestic Company-owned restaurant expenses	576,799	664,640	651,536
North America commissary	575,103	631,537	579,834
International expenses	67,775	70,622	62,574
Other expenses	84,016	69,335	66,253
General and administrative expenses	192,551	150,866	158,135
Depreciation and amortization	46,403	43,668	40,987
Total costs and expenses	1,542,647	1,630,668	1,559,319
Refranchising and impairment gains/(losses), net	(289)	(1,674)	10,222
Operating income	30,380	151,017	164,523
Legal settlement	—	—	898
Investment income	817	608	785
Interest expense	(25,306)	(11,283)	(7,397)
Income before income taxes	5,891	140,342	158,809
Income tax expense	2,646	33,817	49,717
Net income before attribution to noncontrolling interests	3,245	106,525	109,092
Income attributable to noncontrolling interests	(1,599)	(4,233)	(6,272)
Net income attributable to the Company	$ 1,646	$ 102,292	$ 102,820
Calculation of income for earnings per share:			
Net income attributable to the Company	$ 1,646	$ 102,292	$ 102,820
Change in noncontrolling interest redemption value	—	1,419	567
Net income attributable to participating securities	—	(423)	(420)
Net income attributable to common shareholders	$ 1,646	$ 103,288	$ 102,967
Basic earnings per common share	$ 0.05	$ 2.86	$ 2.76
Diluted earnings per common share	$ 0.05	$ 2.83	$ 2.74
Basic weighted average common shares outstanding	32,083	36,083	37,253
Diluted weighted average common shares outstanding	32,299	36,522	37,608
Dividends declared per common share	$ 0.90	$ 0.85	$ 0.75

See accompanying notes.

Papa John's International, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income

(In thousands)	Year ended December 30, 2018	December 31, 2017	December 25, 2016
Net income before attribution to noncontrolling interests	$ 3,245	$ 106,525	$ 109,092
Other comprehensive (loss) income, before tax:			
Foreign currency translation adjustments (1)	(4,903)	4,570	(7,922)
Interest rate swaps (2)	4,254	1,421	1,492
Other comprehensive (loss) income, before tax	(649)	5,991	(6,430)
Income tax effect:			
Foreign currency translation adjustments (1)	1,110	(1,691)	2,931
Interest rate swaps (3)	(1,032)	(530)	(552)
Income tax effect (4)	78	(2,221)	2,379
Other comprehensive (loss) income, net of tax	(571)	3,770	(4,051)
Comprehensive income before attribution to noncontrolling interests	2,674	110,295	105,041
Less: comprehensive loss (income), redeemable noncontrolling interests	488	(2,195)	(3,665)
Less: comprehensive income, nonredeemable noncontrolling interests	(2,087)	(2,038)	(2,607)
Comprehensive income attributable to the Company	$ 1,075	$ 106,062	$ 98,769

(1) On June 15, 2018, the Company refranchised 34 Company-owned restaurants and a quality control center located in China. In conjunction with the transaction, approximately $1,300 of accumulated other comprehensive income and $300 associated deferred tax related to foreign currency translation were reversed. See "Note 9" of "Notes to Consolidated Financial Statements" for additional information.

(2) Amounts reclassified out of accumulated other comprehensive income (loss) into net interest expense included $22, $421 and $1,161 for the years ended December 30, 2018, December 31, 2017 and December 25, 2016, respectively.

(3) The income tax effects of amounts reclassified out of accumulated other comprehensive income (loss) were $5, $156 and $429 for the years ended December 30, 2018, December 31, 2017 and December 25, 2016, respectively.

(4) As of January 1, 2018, we adopted ASU 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," and reclassified stranded tax effects of approximately $455 to retained earnings in the first quarter of 2018. See "Note 2" of "Notes to Consolidated Financial Statements" for additional information.

See accompanying notes.

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

(In thousands, except per share amounts)	December 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 19,468	$ 22,345
Accounts receivable (less allowance for doubtful accounts of $2,117 in 2018 and $2,271 in 2017)	67,785	64,558
Accounts receivable - affiliates (no allowance for doubtful accounts in 2018 and 2017)	69	86
Notes receivable (no allowance for doubtful accounts in 2018 and 2017)	5,498	4,333
Income tax receivable	16,073	3,903
Inventories	27,203	30,620
Prepaid expenses	29,935	28,522
Other current assets	5,677	9,494
Assets held for sale	—	6,133
Total current assets	171,708	169,994
Property and equipment, net	226,894	234,331
Notes receivable, less current portion (less allowance for doubtful accounts of $3,369 in 2018 and $1,047 in 2017)	23,259	15,568
Goodwill	84,516	86,892
Deferred income taxes, net	756	585
Other assets	63,814	48,183
Total assets	$ 570,947	$ 555,553
Liabilities and stockholders' (deficit)		
Current liabilities:		
Accounts payable	$ 29,891	$ 32,006
Income and other taxes payable	6,590	10,561
Accrued expenses and other current liabilities	105,712	70,293
Deferred revenue current	2,443	—
Current portion of long-term debt	20,000	20,000
Total current liabilities	164,636	132,860
Deferred revenue	14,679	2,652
Long-term debt, less current portion, net	601,126	446,565
Deferred income taxes, net	7,852	12,546
Other long-term liabilities	79,324	60,146
Total liabilities	867,617	654,769
Redeemable noncontrolling interests	5,464	6,738
Stockholders' (deficit):		
Preferred stock ($0.01 par value per share; no shares issued)	—	—
Common stock ($0.01 par value per share; issued 44,301 at December 30, 2018 and 44,221 at December 31, 2017)	443	442
Additional paid-in capital	192,984	184,785
Accumulated other comprehensive (loss)	(3,143)	(2,117)
Retained earnings	244,061	292,251
Treasury stock (12,929 shares at December 30, 2018 and 10,290 shares at December 31, 2017, at cost)	(751,704)	(597,072)
Total stockholders' (deficit)	(317,359)	(121,711)
Noncontrolling interests in subsidiaries	15,225	15,757
Total stockholders' (deficit)	(302,134)	(105,954)
Total liabilities, redeemable noncontrolling interests and stockholders' (deficit)	$ 570,947	$ 555,553

See accompanying notes.

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

	Papa John's International, Inc.							
(In thousands)	Common Stock Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Noncontrolling Interests in Subsidiaries	Total Stockholders' Equity (Deficit)
Balance at December 27, 2015	38,423	$ 437	$ 158,348	$ (1,836)	$ 143,789	$ (271,557)	$ 13,025	$ 42,206
Net income (1)	—	—	—	—	102,820	—	2,607	105,427
Other comprehensive loss	—	—	—	(4,051)	—	—	—	(4,051)
Cash dividends paid	—	—	119	—	(27,898)	—	—	(27,779)
Exercise of stock options	334	3	7,056	—	—	—	—	7,059
Tax effect of equity awards	—	—	(7)	—	—	—	—	(7)
Acquisition of Company common stock	(2,145)	—	—	—	—	(122,381)	—	(122,381)
Stock-based compensation expense	—	—	10,123	—	—	—	—	10,123
Issuance of restricted stock	58	1	(2,975)	—	—	2,974	—	—
Change in redemption value of noncontrolling interests	—	—	—	—	567	—	—	567
Contributions from noncontrolling interests	—	—	—	—	—	—	690	690
Distributions to noncontrolling interests	—	—	—	—	—	—	(2,610)	(2,610)
Other	13	—	(91)	—	—	648	—	557
Balance at December 25, 2016	36,683	441	172,573	(5,887)	219,278	(390,316)	13,712	9,801
Net income (1)	—	—	—	—	102,292	—	2,038	104,330
Other comprehensive income	—	—	—	3,770	—	—	—	3,770
Cash dividends paid	—	—	136	—	(30,728)	—	—	(30,592)
Exercise of stock options	147	1	6,259	—	—	—	—	6,260
Tax effect of equity awards	—	—	(2,428)	—	—	—	—	(2,428)
Acquisition of Company common stock	(2,960)	—	—	—	—	(209,586)	—	(209,586)
Stock-based compensation expense	—	—	10,413	—	—	—	—	10,413
Issuance of restricted stock	54	—	(2,427)	—	—	2,427	—	—
Change in redemption value of noncontrolling interests	—	—	—	—	1,419	—	—	1,419
Contributions from noncontrolling interests	—	—	—	—	—	—	2,956	2,956
Distributions to noncontrolling interests	—	—	—	—	—	—	(2,949)	(2,949)
Other	7	—	259	—	(10)	403	—	652
Balance at December 31, 2017	33,931	$ 442	$ 184,785	$ (2,117)	$ 292,251	$ (597,072)	$ 15,757	$ (105,954)

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

	Papa John's International, Inc.							
(In thousands)	Common Stock Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Noncontrolling Interests in Subsidiaries	Total Stockholders' Equity (Deficit)
Balance at December 31, 2017	33,931	$ 442	$ 184,785	$ (2,117)	$ 292,251	$ (597,072)	$ 15,757	$ (105,954)
Cumulative effect of adoption of ASU 2014-09 (2)	—	—	—	—	(21,528)	—	—	(21,528)
Adjusted balance at January 1, 2018	33,931	442	184,785	(2,117)	270,723	(597,072)	15,757	(127,482)
Net income (1)	—	—	—	—	1,646	—	1,874	3,520
Other comprehensive loss	—	—	—	(571)	—	—	—	(571)
Adoption of ASU 2018-02 (3)	—	—	—	(455)	455	—	—	—
Cash dividends paid	—	—	145	—	(28,944)	—	—	(28,799)
Exercise of stock options	75	1	2,698	—	—	—	—	2,699
Tax effect of equity awards	—	—	(1,521)	—	—	—	—	(1,521)
Acquisition of Company common stock	(2,697)	—	—	—	—	(158,049)	—	(158,049)
Stock-based compensation expense	—	—	9,936	—	—	—	—	9,936
Issuance of restricted stock	56	—	(3,005)	—	—	3,005	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	(2,406)	(2,406)
Other	7	—	(54)	—	181	412	—	539
Balance at December 30, 2018	31,372	$ 443	$ 192,984	$ (3,143)	$ 244,061	$ (751,704)	$ 15,225	$ (302,134)

(1) Net income to the Company at December 30, 2018, December 31, 2017 and December 25, 2016 excludes $1,599, $4,233 and $6,272, respectively, allocable to the noncontrolling interests for our joint venture arrangements.

(2) As of January 1, 2018, the Company adopted ASU 2014-09, "Revenue from Contracts with Customers". See Note 3 of "Notes to the Consolidated Financial Statements" for additional information.

(3) As of January 1, 2018, the Company adopted ASU 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," and reclassified stranded tax effects of approximately $455 to retained earnings in the first quarter of 2018. See "Note 2" of "Notes to Consolidated Financial Statements" for additional information.

At December 25, 2016, the accumulated other comprehensive loss of $5,887 was comprised of net unrealized foreign currency translation loss of $5,402 and a net unrealized loss on the interest rate swap agreements of $485.
At December 31, 2017, the accumulated other comprehensive loss of $2,117 was comprised of net unrealized foreign currency translation loss of $2,523 and a net unrealized gain on the interest rate swap agreements of $406.
At December 30, 2018, the accumulated other comprehensive loss of $3,143 was comprised of net unrealized foreign currency translation loss of $6,859 and a net unrealized gain on the interest rate swap agreements of $3,716.

See accompanying notes.

Papa John's International Inc. and Subsidiaries
Consolidated Statements of Cash Flows

(In thousands)	Year ended December 30, 2018	December 31, 2017	December 25, 2016
Operating activities			
Net income before attribution to noncontrolling interests	$ 3,245	$ 106,525	$ 109,092
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for uncollectible accounts and notes receivable	4,761	29	409
Depreciation and amortization	46,403	43,668	40,987
Deferred income taxes	1,705	498	11,624
Stock-based compensation expense	9,936	10,413	10,123
Loss (gain) on refranchising	289	—	(11,572)
Impairment loss	—	1,674	1,350
Other	5,677	3,375	3,337
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	1,386	(7,358)	1,557
Income tax receivable	(12,170)	(1,531)	4,100
Inventories	3,093	(5,485)	(3,639)
Prepaid expenses	(2,165)	(4,414)	(3,826)
Other current assets	4,834	(1,158)	616
Other assets and liabilities	1,464	(742)	(6,269)
Accounts payable	(1,694)	(8,743)	(916)
Income and other taxes payable	(3,971)	1,897	9
Accrued expenses and other current liabilities	10,273	(3,012)	(7,960)
Deferred revenue	(271)	(661)	1,235
Net cash provided by operating activities	72,795	134,975	150,257
Investing activities			
Purchases of property and equipment	(42,028)	(52,593)	(55,554)
Loans issued	(10,463)	(8,103)	(3,210)
Repayments of loans issued	5,805	4,185	8,569
Acquisitions, net of cash acquired	—	(21)	(13,352)
Proceeds from divestitures of restaurants	7,707	—	16,844
Other	180	34	429
Net cash used in investing activities	(38,799)	(56,498)	(46,274)
Financing activities			
Proceeds from issuance of term loan	—	400,000	—
Repayments of term loan	(20,000)	(5,000)	—
Net proceeds (repayments) of revolving credit facility	175,000	(225,575)	44,575
Debt issuance costs	(1,913)	(3,181)	—
Cash dividends paid	(28,985)	(30,720)	(27,896)
Tax payments for equity award issuances	(1,521)	(2,428)	(6,024)
Proceeds from exercise of stock options	2,699	6,260	7,060
Acquisition of Company common stock	(158,049)	(209,586)	(122,381)
Contributions from noncontrolling interest holders	—	2,956	690
Distributions to noncontrolling interest holders	(4,269)	(5,449)	(5,610)
Other	356	663	556
Net cash used in financing activities	(36,682)	(72,060)	(109,030)
Effect of exchange rate changes on cash and cash equivalents	(191)	365	(396)
Change in cash and cash equivalents	(2,877)	6,782	(5,443)
Cash and cash equivalents at beginning of period	22,345	15,563	21,006
Cash and cash equivalents at end of period	$ 19,468	$ 22,345	$ 15,563

See accompanying notes.

Papa John's International, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

1. Description of Business

Papa John's International, Inc. (referred to as the "Company," "Papa John's" or in the first person notations of "we," "us" and "our"), operates and franchises pizza delivery and carryout restaurants under the trademark "Papa John's," in all 50 states and in 46 international countries and territories as of December 30, 2018. Substantially all revenues are derived from retail sales of pizza and other food and beverage products by Company-owned restaurants, franchise royalties, sales of franchise and development rights, and sales to franchisees of food and paper products, printing and promotional items and information systems and related services used in their operations.

2. Significant Accounting Policies

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of Papa John's and its subsidiaries. All intercompany balances and transactions have been eliminated.

Variable Interest Entity

Papa John's domestic restaurants, both Company-owned and franchised, participate in Papa John's Marketing Fund, Inc. ("PJMF"), a nonstock corporation designed to operate at break-even for the purpose of designing and administering advertising and promotional programs for all participating domestic restaurants. PJMF is a variable interest entity ("VIE") as it does not have sufficient equity to fund its operations without ongoing financial support and contributions from its members. Based on the ownership and governance structure and operating procedures of PJMF, we have determined that we do not have the power to direct the most significant activities of PJMF and are therefore not the primary beneficiary. Accordingly, consolidation of PJMF is not appropriate**.**

Fiscal Year

Our fiscal year ends on the last Sunday in December of each year. All fiscal years presented consist of 52 weeks except for the 2017 fiscal year, which consisted of 53 weeks.

Use of Estimates

The preparation of Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Significant items that are subject to such estimates and assumptions include allowance for doubtful accounts and notes receivable, intangible assets, contract assets and contract liabilities including the online customer loyalty program obligation, insurance reserves and tax reserves. Although management bases its estimates on historical experience and assumptions that are believed to be reasonable under the circumstances, actual results could significantly differ from these estimates.

Revenue Recognition

Revenue is measured based on consideration specified in contracts with customers and excludes waivers or incentives and amounts collected on behalf of third parties, primarily sales tax. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the

Company from a customer, are excluded from revenue. Delivery costs, including freight associated with our domestic commissary and other sales, are accounted for as fulfillment costs and are included in operating costs.

As further described in Accounting Standards Adopted and Note 3, the Company adopted ASC Topic 606, “Revenue from Contracts with Customers” (“Topic 606”), in the first quarter of 2018. Prior year revenue recognition follows ASC Topic 605, “Revenue Recognition.”

The following describes principal activities, separated by major product or service, from which the Company generates its revenues:

Company-owned Restaurant Sales

The domestic and international Company-owned restaurants principally generate revenue from retail sales of high-quality pizza, side items including breadsticks, cheesesticks, chicken poppers and wings, dessert items and canned or bottled beverages. Revenues from Company-owned restaurants are recognized when the products are delivered to or carried out by customers.

Our North American customer loyalty program, Papa Rewards, is a spend-based program that rewards customers with points for each online purchase. Papa Rewards points are accumulated and redeemed. During the fourth quarter of 2018, the program transitioned from product based rewards to dollar off discounts (“Papa Dough”) which can be used on future purchases within a six month expiration window. The accrued liability in the Consolidated Balance Sheets, and corresponding reduction of Company-owned restaurant sales in the Consolidated Statements of Operations, is for the estimated reward redemptions at domestic Company-owned restaurants based upon estimated redemption patterns. Currently, the liability related to Papa Rewards is calculated using the estimated redemption value for which the points and accumulated rewards are expected to be redeemed. Revenue is recognized when the customer redeems the Papa Dough reward. Prior to the adoption of Topic 606, the liability related to Papa Rewards was estimated using the incremental cost accrual model which was based on the expected cost to satisfy the award and the corresponding expense was recorded in general and administrative expenses in the Consolidated Statements of Operations.

Franchise Royalties and Fees

Franchise royalties which are based on a percentage of franchise restaurant sales are recognized as sales occur. Any royalty reductions, including waivers or those offered as part of a new store development incentive or as incentive for other behaviors including acceleration of restaurant remodels or equipment upgrades, are recognized at the same time as the related royalty as they are not separately distinguishable from the full royalty rate. Franchise royalties are billed on a monthly basis.

The majority of initial franchise license fees and area development exclusivity fees are from international locations. Initial franchise license fees are billed at the store opening date. Area development exclusivity fees are billed upon execution of the development agreements which grant the right to develop franchised restaurants in future periods in specific geographic areas. Area development exclusivity fees are included in deferred revenue in the Consolidated Balance Sheets and allocated on a pro rata basis to all stores opened under that specific development agreement. The pre-opening services provided to franchisees do not contain separate and distinct performance obligations from the franchise right; thus, the fees collected will be amortized on a straight-line basis beginning at the store opening date through the term of the franchise agreement, which is typically 10 years. Franchise license renewal fees for both domestic and international locations, which generally occur every 10 years, are billed before the renewal date. Fees received for future license renewal periods are amortized over the life of the renewal period. For periods prior to adoption of Topic 606, revenue was recognized when we performed our obligations related to such fees, primarily the store opening date for initial franchise fees and area development fees, or the date the renewal option was effective for license renewal fees.

The Company offers various incentive programs for franchisees including royalty incentives, new restaurant opening incentives (i.e. development incentives) and other support initiatives. Royalties and franchise fees sales are reduced to reflect any royalty incentives earned or granted under these programs that are in the form of discounts.

Commissary Sales

Commissary sales are comprised of food and supplies sold to franchised restaurants and are recognized as revenue upon shipment or delivery of the related products to the franchisees. Payments are generally due within 30 days.

As noted above, there are various incentive programs available to franchisees related to new restaurant openings including discounts on initial commissary orders and new store equipment incentives, at substantially no cost to franchisees. Commissary sales are reduced to reflect incentives in the form of direct discounts on initial commissary orders. The new store equipment incentive is also recorded as a reduction of commissary sales over the term of the incentive agreement, which is generally three to five years.

Other Revenues

Fees for information services, including software maintenance fees, help desk fees and online ordering fees are recognized as revenue as such services are provided and are included in other revenue.

Revenues for printing, promotional items, and direct mail marketing services are recognized upon shipment of the related products to franchisees and other customers. Direct mail advertising discounts are also periodically offered by our Preferred Marketing Solutions subsidiary. Other revenues are reduced to reflect these advertising discounts.

Rental income, primarily derived from properties leased by the Company and subleased to franchisees in the United Kingdom, is recognized on a straight-line basis over the respective operating lease terms, in accordance with ASC Topic 840, “Leases.” The Company does not expect a significant impact on rental income upon adoption of the new lease accounting guidance, ASU 2016-02, “Leases,” effective December 31, 2018 (at the beginning of fiscal year 2019).

Franchise Marketing Fund revenues represent contributions collected by various international and domestic marketing funds (“Co-op” or “Co-operative”) where we have determined that we have control over the activities of the fund. Contributions are based on a percentage of monthly restaurant sales. The adoption of Topic 606 revised the principal versus agent determination of these arrangements. When we are determined to be the principal in these arrangements, advertising fund contributions and expenditures are reported on a gross basis in the Consolidated Statements of Operations. Our obligation related to these funds is to develop and conduct advertising activities in a specific country, region, or market, including the placement of electronic and print materials. Marketing fund contributions are billed monthly.

For periods prior to the adoption of Topic 606, the revenues and expenses of certain international advertising funds and the Co-op Funds in which we possess majority voting rights, were included in our Consolidated Statements of Operations on a net basis as we previously concluded we were the agent in regard to the funds based upon principal/agent determinations in industry-specific guidance that was in effect during those time periods.

Advertising and Related Costs

Advertising and related costs of $60.8 million, $72.3 million and $70.9 million in 2018, 2017 and 2016, respectively, include the costs of domestic Company-owned local restaurant activities such as mail coupons, door hangers and promotional items and contributions to PJMF and various local market cooperative advertising funds (“Co-op Funds”). Contributions by domestic Company-owned and franchised restaurants to PJMF and the Co-op Funds are based on an established percentage of monthly restaurant revenues. PJMF is responsible for developing and conducting marketing and advertising for the domestic Papa John’s system. The Co-op Funds are responsible for developing and conducting advertising activities in a specific market, including the placement of electronic and print materials developed by PJMF. We recognize domestic Company-owned restaurant contributions to PJMF and the Co-op Funds in the period in which the contribution accrues. During 2018, the Company also contributed $10.0 million to PJMF to increase marketing and promotional activities which is included in general and administrative expenses and is a part of the Special charges for the year. See Notes 16 and 19 for additional information.

Leases

Lease expense is recognized on a straight-line basis over the expected life of the lease term. A lease term often includes option periods, available at the inception of the lease.

See *Recent Accounting Pronouncements* for information on the impact of the adoption effective December 31, 2018, of the new lease accounting guidance, ASU 2016-02, "Leases."

Stock-Based Compensation

Compensation expense for equity grants is estimated on the grant date, net of projected forfeitures, and is recognized over the vesting period (generally in equal installments over three years). Restricted stock is valued based on the market price of the Company's shares on the date of grant. Stock options are valued using a Black-Scholes option pricing model. Our specific assumptions for estimating the fair value of options are included in Note 20.

Cash Equivalents

Cash equivalents consist of highly liquid investments with maturity of three months or less at date of purchase. These investments are carried at cost, which approximates fair value.

Accounts Receivable

Substantially all accounts receivable is due from franchisees for purchases of food, paper products, point of sale equipment, printing and promotional items, information systems and related services, and royalties. Credit is extended based on an evaluation of the franchisee's financial condition and collateral is generally not required. A reserve for uncollectible accounts is established as deemed necessary based upon overall accounts receivable aging levels and a specific review of accounts for franchisees with known financial difficulties. Account balances are charged off against the allowance after recovery efforts have ceased.

Notes Receivable

The Company provides financing to select franchisees principally for use in the construction and development of their restaurants and for the purchase of restaurants from the Company or other franchisees. Most notes receivable bear interest at fixed or floating rates and are generally secured by the assets of each restaurant and the ownership interests in the franchise. In 2018, the Company also provided certain franchisees with royalty payment plans. We establish an allowance based on a review of each borrower's economic performance and underlying collateral value. Note balances are charged off against the allowance after recovery efforts have ceased.

Inventories

Inventories, which consist of food products, paper goods and supplies, smallwares, and printing and promotional items, are stated at the lower of cost, determined under the first-in, first-out (FIFO) method, or net realizable value.

Property and Equipment

Property and equipment are stated at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets (generally five to ten years for restaurant, commissary and other equipment, 20 to 40 years for buildings and improvements, and five years for technology and communication assets). Leasehold improvements are amortized over the terms of the respective leases, including the first renewal period (generally five to ten years).

Depreciation expense was $45.6 million in 2018, $42.6 million in 2017 and $39.7 million in 2016.

Deferred Costs

We capitalize certain information systems development and related costs that meet established criteria. Amounts capitalized, which are included in property and equipment, are amortized principally over periods not exceeding five years upon completion of the related information systems project. Total costs deferred were approximately $4.3 million in 2018, $4.1 million in 2017 and $2.9 million in 2016. The unamortized information systems development costs approximated $12.3 million and $11.1 million as of December 30, 2018 and December 31, 2017, respectively.

Intangible Assets — Goodwill

We evaluate goodwill annually in the fourth quarter or whenever we identify certain triggering events or circumstances that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. Such tests are completed separately with respect to the goodwill of each of our reporting units, which includes our domestic Company-owned restaurants, United Kingdom (“PJUK”), China, and Preferred Marketing Solutions operations. We may perform a qualitative assessment or move directly to the quantitative assessment for any reporting unit in any period if we believe that it is more efficient or if impairment indicators exist.

We elected to perform a quantitative assessment for our domestic Company-owned restaurants, United Kingdom (“PJUK”), China, and Preferred Marketing Solutions operations in the fourth quarter of 2018. Our domestic Company-owned restaurants, PJUK and Preferred Marketing Solutions fair value calculations considered both an income approach and a market approach and our China fair value calculation considered an income approach. The income approach used projected net cash flows, with various growth assumptions, over a ten-year discrete period and a terminal value, which were discounted using appropriate rates. The selected discount rate considered the risk and nature of each reporting unit’s cash flow and the rates of return market participants would require to invest their capital in the reporting unit. In determining the fair value from a market approach, we considered earnings before interest, taxes, depreciation and amortization multiples that a potential buyer would pay based on third-party transactions in similar markets.

As a result of our quantitative analyses, we determined that it was more-likely-than-not that the fair values of our reporting units were greater than their carrying amounts. Subsequent to completing our goodwill impairment tests, no indicators of impairment were identified. See Note 10 for additional information.

Deferred Income Tax Accounts and Tax Reserves

We are subject to income taxes in the United States and several foreign jurisdictions. Significant judgment is required in determining Papa John’s provision for income taxes and the related assets and liabilities. The provision for income taxes includes income taxes paid, currently payable or receivable and those deferred. We use an estimated annual effective rate based on expected annual income to determine our quarterly provision for income taxes. Discrete items are recorded in the quarter in which they occur.

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences reverse. Deferred tax assets are also recognized for the estimated future effects of tax attribute carryforwards (e.g., net operating losses, capital losses, and foreign tax credits). The effect on deferred taxes of changes in tax rates is recognized in the period in which the new tax rate is enacted. Valuation allowances are established when necessary on a jurisdictional basis to reduce deferred tax assets to the amounts we expect to realize.

On December 22, 2017, the Tax Cuts and Jobs Act (the “Tax Act”) was enacted, significantly decreasing the U.S. federal income tax rate for corporations effective January 1, 2018. On that same date, the Securities and Exchange Commission staff also issued Staff Accounting Bulletin (“SAB”) 118, which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740, “Income Taxes.” As a result, we remeasured our deferred tax assets, liabilities and related valuation allowances in 2017. This remeasurement yielded a 2017 benefit of approximately $7.0 million due to the lower income tax rate. At December 30, 2018 the Company has completed its analysis of the Tax Act. See Note 17 for additional information. Our net deferred income tax liability was approximately $7.1 million at December 30, 2018.

Tax authorities periodically audit the Company. We record reserves and related interest and penalties for identified exposures as income tax expense. We evaluate these issues and adjust for events, such as statute of limitations expirations, court rulings or audit settlements, which may impact our ultimate payment for such exposures. We recognized decreases in income tax expense of $1.7 million and $729,000 in 2017 and 2016, respectively, associated with the finalization of certain income tax matters. There were no amounts recognized in 2018 as there were no related events. See Note 17 for additional information.

Insurance Reserves

Our insurance programs for workers' compensation, owned and non-owned automobiles, general liability, property, and health insurance coverage provided to our employees are funded by the Company up to certain retention levels under our retention programs. Retention limits generally range from $100,000 to $1.0 million.

Losses are accrued based upon undiscounted estimates of the 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 differ significantly from historical trends used to estimate the insurance reserves recorded by the Company. The Company records estimated losses above retention within its reserve with a corresponding receivable for expected amounts due from insurance carriers.

Derivative Financial Instruments

We recognize all derivatives on the balance sheet at fair value. At inception and on an ongoing basis, we assess whether each derivative that qualifies for hedge accounting continues to be highly effective in offsetting changes in the cash flows of the hedged item. If the derivative meets the hedge criteria as defined by certain accounting standards, depending on the nature of the hedge, changes in the fair value of the derivative are either offset against the change in fair value of assets, liabilities or firm commitments through earnings or recognized in accumulated other comprehensive income/(loss) until the hedged item is recognized in earnings.

We recognized income of $4.3 million ($3.2 million after tax) in 2018, $1.4 million ($0.9 million after tax) in 2017 and income of $1.5 million ($0.9 million after tax) in 2016 in other comprehensive income/(loss) for the net change in the fair value of our interest rate swaps. See Note 11 for additional information on our debt and credit arrangements.

Noncontrolling Interests

At December 30, 2018, after the 2018 divestiture of two joint ventures that owned 62 restaurants, the Company has three joint ventures consisting of 183 restaurants, which have noncontrolling interests. Consolidated net income is required to be reported separately at amounts attributable to both the Company and the noncontrolling interest. Additionally, disclosures are required to clearly identify and distinguish between the interests of the Company and the interests of the noncontrolling owners, including a disclosure on the face of the Consolidated Statements of Operations of income attributable to the noncontrolling interest holder.

The following summarizes the redemption feature, location and related accounting within the Consolidated Balance Sheets for these three remaining joint venture arrangements:

Type of Joint Venture Arrangement	**Location within the Balance Sheets**	**Recorded Value**
Joint venture with no redemption feature	Permanent equity	Carrying value
Option to require the Company to purchase the noncontrolling interest - not currently redeemable	Temporary equity	Carrying value

See Notes 8 and 9 for additional information regarding noncontrolling interests and divestitures.

Foreign Currency Translation

The local currency is the functional currency for each of our foreign subsidiaries. Revenues and expenses are translated into U.S. dollars using monthly average exchange rates, while assets and liabilities are translated using year-end exchange rates. The resulting translation adjustments are included as a component of accumulated other comprehensive income/(loss) net of income taxes. In 2018, the Company refranchised 34 Company-owned restaurants and a quality control center located in China. In conjunction with the transaction, approximately $1.3 million of accumulated other comprehensive income and $300,000 associated deferred tax related to foreign currency translation were reversed. See Note 9 for additional information.

Recent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers” (“ASU 2014-09”), which supersedes nearly all existing revenue recognition guidance under GAAP, including industry-specific requirements, and provides companies with a single revenue recognition framework for recognizing revenue from contracts with customers. In March and April 2016, the FASB issued additional amendments to Topic 606. This update and subsequently issued amendments require companies to recognize revenue at amounts that reflect the consideration to which the companies expect to be entitled in exchange for those goods or services at the time of transfer. Topic 606 requires that we assess contracts to determine each separate and distinct performance obligation. If a contract has multiple performance obligations, we allocate the transaction price using our best estimate of the standalone selling price to each distinct good or service in the contract.

The Company adopted Topic 606 as of January 1, 2018. See Note 3 for additional information.

Certain Tax effects from Accumulated Other Comprehensive Income (Loss)

In February 2018, the FASB issued ASU 2018-02, “Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (“AOCI”)” (“ASU 2018-02”), which allows for an entity to reclassify disproportionate income tax in AOCI caused by the Tax Act to retained earnings. The guidance is effective for fiscal years beginning after December 15, 2018 with early adoption permitted, including interim periods within those years. The Company adopted ASU 2018-02 in the first quarter of 2018 by electing to reclassify the income tax effects from AOCI to retained earnings. The impact of the adoption was not material to our Consolidated Financial Statements.

Goodwill

In January 2017, the FASB issued ASU 2017-04, “Intangibles – Goodwill and Other,” (“ASU 2017-04”), which simplifies the accounting for goodwill. ASU 2017-04 eliminates the second step of the goodwill impairment test, which requires a hypothetical purchase price allocation. The goodwill impairment is the difference between the carrying value and fair value, not to exceed the carrying amount. ASU 2017-04 is effective for annual and interim periods in fiscal years beginning after December 15, 2019 with early adoption permitted. The Company adopted ASU 2017-04 in the fourth quarter of 2018. The impact of the adoption was not material to our Consolidated Financial Statements.

Employee Share-Based Payments

In March 2016, the FASB issued ASU 2016-09, “Compensation – Stock Compensation: Improvements to Employee Share-Based Payment Accounting” (“ASU 2016-09”). The guidance simplified the accounting and financial reporting of the income tax impact of stock-based compensation arrangements. This guidance requires excess tax benefits to be recorded as a discrete item within income tax expense rather than additional paid-in capital. In addition, excess tax benefits are required to be classified as cash from operating activities rather than cash from financing activities.

The Company adopted this guidance as of the beginning of fiscal 2017. The Company elected to apply the cash flow guidance of ASU 2016-09 retrospectively to all prior periods. The impact of retrospectively applying this guidance to the Consolidated Statement of Cash Flows was a $6.2 million increase in net cash provided by operating activities and a corresponding increase in net cash used in financing activities for the year ended December 25, 2016. The Company elected to continue to estimate forfeitures, as permitted by ASU 2016-09, rather than electing to account for forfeitures as they occur.

Hedging

In August 2017, the FASB issued ASU 2017-12, “Derivatives and Hedging (Topic 815) Targeted Improvements to Accounting for Hedging Activities” (“ASU 2017-12”) which intends to better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendment attempts to simplify the application of hedge accounting guidance. The pronouncement is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The Company adopted ASU 2017-12 in the fourth quarter of 2017. The impact of the adoption was not material to our Consolidated Financial Statements.

In addition, in October 2018, the FASB issued ASU 2018-16, “Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes” (“ASU 2018-16”), which amends Topic 815 to add the overnight index swap rate based on the secured overnight financing rate as a fifth U.S. benchmark interest rate. This is in response to the Financial Conduct Authority’s announcement in July 2017 that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The pronouncement is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The Company has material contracts that are indexed to LIBOR and is continuing to evaluate the accounting, transition and disclosure requirements of ASU 2018-16.

Leases

In February 2016, the FASB issued ASU 2016-02, Topic 842, which requires companies to recognize a right-of-use asset and a lease liability on the balance sheet for contracts that meet the definition of a lease. This guidance also requires additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for interim and annual periods beginning after December 15, 2018. In July 2018, the FASB issued ASU 2018-11, “Leases (Topic 842): Targeted Improvements.” ASU 2018-11 allows companies to elect an optional transition method to apply the new lease standard through a cumulative-effect adjustment in the period of adoption.

We have elected to adopt ASU 2016-02 using the optional transition method and we are revising our controls and processes to address the lease standard. We plan to take advantage of the transition package of practical expedients permitted under the transition guidance, which among other things, allows us to carryforward our prior lease classifications under ASC 840 and our assessment on whether a contract is or contains a lease. We will also elect to combine lease and non-lease components for all asset classes and to keep leases with an initial term of 12 months or less off the balance sheet for select asset classes. We do not expect to elect the use of hindsight practical expedient.

We do not expect ASU 2016-02 to have a material impact on our annual operating results or cash flows. The most significant impact of adoption will be the recognition of right of use assets and lease liabilities on our balance sheet. We expect the right of use asset recorded, net of amounts reclassified from other assets and liabilities, as specified by the new lease guidance, will not be materially different than the lease liability, which will be based on the present value of the remaining minimum rental payments of approximately $210 million using discount rates as of the effective date. See Note 19 for additional information.

The Company’s subsidiary located in the United Kingdom leases certain restaurant space to our franchisees under sublease agreements. As a lessor, we currently do not expect the new guidance to have a material effect on our Consolidated Financial Statements, as we believe substantially all of our existing leases will continue to be classified as operating leases. This revenue will continue to be reported as rental income in Other Revenues in the Consolidated Statements of Operations.

Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” which requires measurement and recognition of expected versus incurred losses for financial assets held. ASU 2016-13 is effective for annual periods beginning after December 15, 2019, with early adoption permitted for annual periods beginning after December 15, 2018. The Company is currently assessing the impact of adopting this standard on our Consolidated Balance Sheet, Results of Operations and Cash Flows.

Cloud Computing

In August 2018, the FASB issued ASU No. 2018-15 “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract,” which aligns the requirements for capitalizing implementation costs in cloud computing arrangements with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. ASU 2018-15 is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted. Companies can choose to adopt the new guidance prospectively or retrospectively. The Company is currently in the process of evaluating the effects of this pronouncement on its Consolidated Financial Statements.

Reclassification

Certain prior year amounts in the Consolidated Statements of Operations have been reclassified to conform to the current year presentation. See Note 24 for additional information.

Subsequent Events

On February 3, 2019, the Company entered into a Securities Purchase Agreement with funds affiliated with Starboard Value LP (together with its affiliates, “Starboard”), pursuant to which the Company sold to Starboard 200,000 shares of the Company’s newly designated Series B convertible preferred stock, par value $0.01 per share (the “Series B Preferred Stock”), at a purchase price of $1,000 per share, for an aggregate purchase price of $200,000,000. Starboard has the option exercisable at their discretion, to purchase up to an additional 50,000 shares of Series B Preferred Stock for the same purchase price per share on or prior to March 29, 2019. The Series B Preferred Stock is convertible at the option of the holders at any time into shares of common stock based on the conversion rate determined by dividing $1,000, the stated value of the Series B Preferred Stock, by $50.06. The initial dividend rate of the Series B Preferred Stock will be 3.6% per annum on the stated value of $1,000 per share, payable quarterly in arrears. The Series B Preferred Stock will also participate on an as-converted basis in any regular or special dividends paid to common stockholders. The Series B Preferred Stock will be reported as temporary equity on the Company’s Consolidated Balance Sheet. In addition, the Company has the right to offer up to 10,000 shares of Series B Preferred Stock to qualified Papa John’s franchisees, subject to certain conditions of the Securities Purchase Agreement, on the same terms as Starboard.

3. Adoption of ASU 2014-09, “Revenue from Contracts with Customers”

The Company adopted Topic 606 using the modified retrospective transition method effective January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented in accordance with Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historical accounting under Topic 605, “Revenue Recognition.”

The cumulative effect adjustment of $21.5 million was recorded as a reduction to retained earnings as of January 1, 2018 to reflect the impact of adopting Topic 606. The impact of applying Topic 606 for the year ended December 30, 2018 was an increase in revenues of $4.0 million and a decrease in pre-tax income of $3.4 million.

The adoption of Topic 606 did not impact the recognition and reporting of two of our largest sources of revenue: sales from Company-owned restaurants and continuing royalties or other revenues from franchisees that are based on a percentage of the franchise sales. The items impacted by the adoption include the presentation of new store equipment incentives as an offset against commissary revenues, the presentation and amount of our loyalty program costs, the timing of franchise and development fees revenue recognition, and the presentation of various domestic and international advertising funds as further described below.

Cumulative Adjustment From Adoption

As previously noted, an after-tax reduction of $21.5 million was recorded to retained earnings in the first quarter of 2018 to reflect the cumulative impact of adopting Topic 606. This consists of $10.8 million related to franchise fees, $8.0 million related to the customer loyalty program and $2.7 million related to marketing funds.

The following chart presents the specific line items impacted by the cumulative adjustment.

(In thousands, except per share amounts)	As Reported December 31, 2017	Total Adjustments	Adjusted Balance Sheet at January 1, 2018
Assets			
Current assets:			
Cash and cash equivalents	$ 22,345	$ 4,279	$ 26,624
Accounts receivable (less allowance for doubtful accounts of $2,271 in 2017)	64,558	493	65,051
Accounts receivable - affiliates (no allowance for doubtful accounts in 2017)	86	—	86
Notes receivable (no allowance for doubtful accounts in 2017)	4,333	—	4,333
Income tax receivable	3,903	—	3,903
Inventories	30,620	—	30,620
Prepaid expenses	28,522	(4,959)	23,563
Other current assets	9,494	—	9,494
Assets held for sale	6,133	—	6,133
Total current assets	169,994	(187)	169,807
Property and equipment, net	234,331	—	234,331
Notes receivable, less current portion (less allowance for doubtful accounts of $1,047 in 2017)	15,568	—	15,568
Goodwill	86,892	—	86,892
Deferred income taxes, net	585	—	585
Other assets	48,183	(907)	47,276
Total assets	$ 555,553	$ (1,094)	$ 554,459
Liabilities and stockholders' equity (deficit)			
Current liabilities:			
Accounts payable	$ 32,006	$ (2,161)	$ 29,845
Income and other taxes payable	10,561	—	10,561
Accrued expenses and other current liabilities	70,293	15,860	86,153
Deferred revenue current	—	2,400	2,400
Current portion of long-term debt	20,000	—	20,000
Total current liabilities	132,860	16,099	148,959
Deferred revenue	2,652	10,798	13,450
Long-term debt, less current portion, net	446,565	—	446,565
Deferred income taxes, net	12,546	(6,464)	6,082
Other long-term liabilities	60,146	—	60,146
Total liabilities	654,769	20,433	675,202
Redeemable noncontrolling interests	6,738	—	6,738
Stockholders' equity (deficit):			
Preferred stock ($0.01 par value per share; no shares issued)	—	—	—
Common stock ($0.01 par value per share; issued 44,221 at December 31, 2017)	442	—	442
Additional paid-in capital	184,785	—	184,785
Accumulated other comprehensive loss	(2,117)	—	(2,117)
Retained earnings	292,251	(21,527)	270,724
Treasury stock (10,290 shares at December 31, 2017, at cost)	(597,072)	—	(597,072)
Total stockholders' (deficit)	(121,711)	(21,527)	(143,238)
Noncontrolling interests in subsidiaries	15,757	—	15,757
Total stockholders' (deficit)	(105,954)	(21,527)	(127,481)
Total liabilities, redeemable noncontrolling interests and stockholders' (deficit)	$ 555,553	$ (1,094)	$ 554,459

The impact of adoption at December 30, 2018 is as follows:

(In thousands, except per share amounts)	As Reported December 30, 2018	Total Adjustments	Balance Sheet Without Adoption of Topic 606
Assets			
Current assets:			
Cash and cash equivalents	$ 19,468	$ (4,326)	$ 15,142
Accounts receivable (less allowance for doubtful accounts of $2,117 in 2018)	67,785	(401)	67,384
Accounts receivable - affiliates (no allowance for doubtful accounts in 2018)	69	—	69
Notes receivable (no allowance for doubtful accounts in 2018)	5,498	—	5,498
Income tax receivable	16,073	—	16,073
Inventories	27,203	—	27,203
Prepaid expenses	29,935	4,771	34,706
Other current assets	5,677	—	5,677
Assets held for sale	—	—	—
Total current assets	171,708	44	171,752
Property and equipment, net	226,894	—	226,894
Notes receivable, less current portion (less allowance for doubtful accounts of $3,369 in 2018)	23,259	—	23,259
Goodwill	84,516	—	84,516
Deferred income taxes, net	756	—	756
Other assets	63,814	907	64,721
Total assets	$ 570,947	$ 951	$ 571,898
Liabilities and stockholders' equity (deficit)			
Current liabilities:			
Accounts payable	$ 29,891	$ 1,585	$ 31,476
Income and other taxes payable	6,590	—	6,590
Accrued expenses and other current liabilities	105,712	(18,210)	87,502
Deferred revenue current	2,443	(2,443)	—
Current portion of long-term debt	20,000	—	20,000
Total current liabilities	164,636	(19,068)	145,568
Deferred revenue	14,679	(11,231)	3,448
Long-term debt, less current portion, net	601,126	—	601,126
Deferred income taxes, net	7,852	7,255	15,107
Other long-term liabilities	79,324	—	79,324
Total liabilities	867,617	(23,044)	844,573
Redeemable noncontrolling interests	5,464	—	5,464
Stockholders' (deficit):			
Preferred stock ($0.01 par value per share; no shares issued)	—	—	—
Common stock ($0.01 par value per share; issued 44,301 at December 30, 2018)	443	—	443
Additional paid-in capital	192,984	—	192,984
Accumulated other comprehensive income (loss)	(3,143)	—	(3,143)
Retained earnings	244,061	23,989	268,050
Treasury stock (12,929 shares at December 30, 2018, at cost)	(751,704)	—	(751,704)
Total stockholders' (deficit)	(317,359)	23,989	(293,370)
Noncontrolling interests in subsidiaries	15,225	6	15,231
Total stockholders' (deficit)	(302,134)	23,995	(278,139)
Total liabilities, redeemable noncontrolling interests and stockholders' (deficit)	$ 570,947	$ 951	$ 571,898

The impact for the year ended December 30, 2018 is as follows:

(In thousands, except per share amounts)	As Reported Year Ended December 30, 2018	Total Adjustments	Statement of Operations Without Adoption of Topic 606
Revenues:			
Domestic Company-owned restaurant sales	$ 692,380	$ 3,295	$ 695,675
North America franchise royalties and fees	79,293	375	79,668
North America commissary	609,866	3,353	613,219
International	110,349	205	110,554
Other revenues	81,428	(11,238)	70,190
Total revenues	1,573,316	(4,010)	1,569,306
Costs and expenses:			
Operating costs (excluding depreciation and amortization shown separately below):			
Domestic Company-owned restaurant expenses	576,799	47	576,846
North America commissary	575,103	—	575,103
International expenses	67,775	—	67,775
Other expenses	84,016	(10,847)	73,169
General and administrative expenses	192,551	3,428	195,979
Depreciation and amortization	46,403	—	46,403
Total costs and expenses	1,542,647	(7,372)	1,535,275
Refranchising and impairment gains/(losses), net	(289)	—	(289)
Operating income	30,380	3,362	33,742
Investment income	817	—	817
Interest expense	(25,306)	—	(25,306)
Income before income taxes	5,891	3,362	9,253
Income tax expense	2,646	781	3,427
Net income before attribution to noncontrolling interests	3,245	2,581	5,826
Income attributable to noncontrolling interests	(1,599)	—	(1,599)
Net income attributable to the Company	$ 1,646	$ 2,581	$ 4,227
Calculation of income for earnings per share:			
Net income attributable to the Company	$ 1,646	$ 2,581	$ 4,227
Net income attributable to common shareholders	$ 1,646	$ 2,581	$ 4,227
Basic earnings per common share	$ 0.05	$ 0.08	$ 0.13
Diluted earnings per common share	$ 0.05	$ 0.08	$ 0.13
Basic weighted average common shares outstanding	32,083	32,083	32,083
Diluted weighted average common shares outstanding	32,299	32,299	32,299

Transaction Price Allocated to the Remaining Performance Obligations

The following table (in thousands) includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied at the end of the reporting period.

	Performance Obligations by Period						
	Less than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Thereafter	Total
Franchise Fees	$ 2,443	$ 2,186	$ 1,960	$ 1,768	$ 1,488	$ 3,829	$ 13,674

An additional $3.5 million of area development fees related to unopened stores and unearned royalties are included in deferred revenue. Timing of revenue recognition is dependent upon the timing of store openings and franchisees’ revenues.

As of December 30, 2018, the amount allocated to the Papa Rewards loyalty program is $18.0 million and is reflected in the Consolidated Balance Sheet as part of the contract liability included in accrued expenses and other current liabilities. This will be recognized as revenue as the points are redeemed, which is expected to occur within the next year.

The Company applies the practical expedient in ASC paragraph 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

4. Revenue Recognition

Disaggregation of Revenue

In the following table (in thousands), revenue is disaggregated by major product line. The table also includes a reconciliation of the disaggregated revenue with the reportable segments.

	Reportable Segments					
	Year Ended December 30, 2018					
Major Products/Services Lines	**Domestic Company-owned restaurants**	**North America commissaries**	**North America franchising**	**International**	**All others**	**Total**
Company-owned restaurant sales	$ 692,380	$ -	$ -	$ 6,237	$ -	$ 698,617
Commissary sales	-	811,191	-	68,124	-	879,315
Franchise royalties and fees	-	-	82,258	35,988	-	118,246
Other revenues	-	-	-	21,202	91,205	112,407
Eliminations	-	(201,325)	(2,965)	(283)	(30,696)	(235,269)
Total	$ 692,380	$ 609,866	$ 79,293	$ 131,268	$ 60,509	$ 1,573,316

The revenue summarized above is described in Note 2 under the heading "Significant Accounting Policies – Revenue Recognition."

Contract Balances

The contract liabilities primarily relate to franchise fees which we classify as "Deferred revenue" and customer loyalty program obligations which are classified with "Accrued expenses and other current liabilities." During the year ended December 30, 2018, the Company recognized $15.7 million in revenue, related to deferred revenue and customer loyalty program.

	Contract Liabilities (in thousands)		
	December 30, 2018	**January 1, 2018**	**Change**
Deferred revenue	$ 17,122	$ 15,850	$ 1,272
Customer loyalty program	18,019	14,724	3,295
Total contract liabilities	$ 35,141	$ 30,574	$ 4,567

The contract assets consist primarily of equipment incentives provided to franchisees. Equipment incentives are related to the future value of commissary revenue the Company will receive over the term of the agreement.

As of December 30, 2018 and January 1, 2018, the contract assets were approximately $6.6 million and $7.1 million, respectively. For the year ended December 30, 2018, revenue was reduced approximately $4.0 million for the amortization of contract assets over the applicable contract terms. Contract assets are included in Other Current Assets and Other Assets.

5. Stockholders' Equity (Deficit)

Shares Authorized and Outstanding

The Company has authorized 5.0 million shares of preferred stock and 100.0 million shares of common stock. The Company's outstanding shares of common stock, net of repurchased common stock, were 31.4 million shares at December 30, 2018 and 33.9 million shares at December 31, 2017. There were no shares of preferred stock issued or outstanding at December 30, 2018 and December 31, 2017. Subsequent to December 30, 2018, on February 3, 2019, the Company entered into a Securities Purchase Agreement in which the Company issued and sold 200,000 shares of the Company's newly designated Series B Preferred Stock. See 'Subsequent Events' in Note 2 for additional information.

Share Repurchase Program

We repurchased 2.7 million shares of our common stock for $158 million in 2018, including $100 million (1.7 million shares) under an accelerated share repurchase agreement ("ASR Agreement") with Bank of America, N.A. Share repurchases for 2017 and 2016 were 3.0 million and 2.1 million for $209.6 million and $122.4 million, respectively. These repurchases were under a share repurchase program that expired on February 27, 2019. Funding for the share repurchase program was provided through a credit facility, operating cash flow, stock option exercises and cash and cash equivalents. In connection with the execution of our amended Credit Agreement in October 2018, the Company cannot repurchase any additional shares if our Leverage Ratio, as defined in the Credit Agreement is higher than 3.75 to 1.0. See Note 11 for additional information on our Credit Agreement.

Cash Dividend

The Company paid dividends of $29.0 million in 2018, $30.7 million in 2017 and $27.9 million in 2016. Subsequent to fiscal 2018, our Board of Directors declared a first quarter 2019 cash dividend of $0.225 per common share, or approximately $8.0 million, including the Series B Preferred Stock dividend on an as-converted basis to common stock. The dividend was paid on February 22, 2019 to shareholders of record as of the close of business on February 11, 2019. In connection with the execution of our amended Credit Agreement in October 2018, no increase in dividends per share may occur if our Leverage Ratio as defined in the Credit Agreement is higher than 3.75 to 1.0.

Stockholder Rights Plan

On July 22, 2018, the Board of Directors of the Company approved the adoption of a limited duration stockholder rights plan (the "Rights Plan") with an expiration date of July 22, 2019 and an ownership trigger threshold of 15% (with a threshold of 31% applied to John H. Schnatter, together with his affiliates and family members). In connection with the Rights Plan, the Board of Directors authorized and declared a dividend to stockholders of record at the close of business on August 2, 2018 of one preferred share purchase right (a "Right") for each outstanding share of Papa John's common stock. Upon certain triggering events, each Right would entitle the holder to purchase from the Company one one-thousandth (subject to adjustment) of one share of Series A Junior Participating Preferred Stock, $0.01 par value per share of the Company ("Preferred Stock") at an exercise price of $250.00 (the "Exercise Price") per one one-thousandth of a share of Preferred Stock. In addition, if a person or group acquires beneficial ownership of 15% or more of the Company's common stock (or in the case of Mr. Schnatter, 31% or more) without prior board approval, each holder of a Right (other than the acquiring person or group whose Rights will become void) will have the right to purchase, upon payment of the Exercise Price and in accordance with the terms of the Rights Plan, a number of shares of the Company's common stock having a market value of twice the Exercise Price. The complete terms of the Rights are set forth in a Rights Agreement (the "Rights Agreement"), dated as of July 22, 2018, between the Company and Computershare Trust Company, N.A., as rights agent. Subsequent to the year ended December 30, 2018, on February 3, 2019, the Company entered into an amendment to the Rights Agreement to exempt funds affiliated with Starboard Value LP from the 15% ownership trigger threshold, to facilitate the Company's sale to the funds of the Company's Series B Preferred Stock. On March 5, 2019, the Board of Directors extended the term of the Rights Plan to March 6, 2022, increased the ownership trigger threshold at which a person becomes an acquiring person from 15% to 20%, except as set forth above, removed the "acting in concert" provision in response to stockholder feedback, and included a qualifying offer provision as set forth in the Rights Plan.

6. Earnings per Share

We compute earnings per share using the two-class method. The two-class method requires an earnings allocation formula that determines earnings per share for common shareholders and participating security holders according to dividends declared and participating rights in undistributed earnings. We consider time-based restricted stock awards to be participating securities because holders of such shares have non-forfeitable dividend rights. Under the two-class method, undistributed earnings allocated to participating securities are subtracted from net income attributable to the Company in determining net income attributable to common shareholders.

Additionally, in accordance with ASC 480, "Distinguishing Liabilities from Equity", the increase in the redemption value for the noncontrolling interest of one of our joint ventures reduces income attributable to common shareholders (and a decrease in redemption value increases income attributable to common shareholders). This joint venture was divested during 2018 and no change in redemption value occurred in 2018. The change in noncontrolling interest redemption value was $1.4 million and $570,000 for the years ended December 31, 2017 and December 25, 2016, respectively. See Notes 8 and 9 for additional information.

Basic earnings per common share are computed by dividing net income attributable to common shareholders by the weighted-average common shares outstanding. Diluted earnings per common share are computed by dividing the net income attributable to common shareholders by the diluted weighted average common shares outstanding. Diluted weighted average common shares outstanding consist of basic weighted average common shares outstanding plus weighted average awards outstanding under our equity compensation plans, which are dilutive securities.

The calculations of basic earnings per common share and diluted earnings per common share for the years ended December 30, 2018, December 31, 2017 and December 25, 2016 are as follows (in thousands, except per share data):

	2018	2017	2016
Basic earnings per common share:			
Net income attributable to the Company	$ 1,646	$ 102,292	$ 102,820
Change in noncontrolling interest redemption value	—	1,419	567
Net income attributable to participating securities	—	(423)	(420)
Net income attributable to common shareholders	$ 1,646	$ 103,288	$ 102,967
Weighted average common shares outstanding	32,083	36,083	37,253
Basic earnings per common share	$ 0.05	$ 2.86	$ 2.76
Diluted earnings per common share:			
Net income attributable to common shareholders	$ 1,646	$ 103,288	$ 102,967
Weighted average common shares outstanding	32,083	36,083	37,253
Dilutive effect of outstanding equity awards (a)	216	439	355
Diluted weighted average common shares outstanding	32,299	36,522	37,608
Diluted earnings per common share	$ 0.05	$ 2.83	$ 2.74

(a) Shares subject to options to purchase common stock with an exercise price greater than the average market price for the year were not included in the computation of diluted earnings per common share because the effect would have been antidilutive. The weighted average number of shares subject to antidilutive options was 1.2 million in 2018, 278,000 in 2017 and 331,000 in 2016.

See Note 8 for additional information regarding our noncontrolling interests and Note 20 for equity awards, including restricted stock.

7. Fair Value Measurements and Disclosures

The Company is required to determine the fair value of financial assets and liabilities based on the price that would be received to sell the asset or paid to transfer the liability to a market participant. Fair value is a market-based measurement, not an entity specific measurement. The fair value of certain assets and liabilities approximates carrying value because of the short-term nature of the accounts, including cash and cash equivalents, accounts receivable and accounts payable. The carrying value of our notes receivable, net of allowances, also approximates fair value. The fair value of the amount outstanding under our term debt and revolving credit facility approximates their carrying values due to their variable market-based interest rates (Level 2).

Certain assets and liabilities are measured at fair value on a recurring and non-recurring basis and are required to be classified and disclosed in one of the following categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

Our financial assets and liabilities that were measured at fair value on a recurring basis as of December 30, 2018 and December 31, 2017 are as follows (in thousands):

	Carrying Value	Fair Value Measurements Level 1	Level 2	Level 3
December 30, 2018				
Financial assets:				
Cash surrender value of life insurance policies (a)	$ 27,751	$ 27,751	$ —	$ —
Interest rate swaps (b)	4,905	—	4,905	—
December 31, 2017				
Financial assets:				
Cash surrender value of life insurance policies (a)	$ 28,645	$ 28,645	$ —	$ —
Interest rate swaps (b)	651	—	651	—

(a) Represents life insurance policies held in our non-qualified deferred compensation plan.

(b) The fair values of our interest rate swaps are based on the sum of all future net present value cash flows. The future cash flows are derived based on the terms of our interest rate swaps, as well as considering published discount factors, and projected London Interbank Offered Rates (“LIBOR”).

Our assets and liabilities that were measured at fair value on a non-recurring basis as of December 31, 2017 include assets held for sale. The fair value was determined using a market-based approach with unobservable inputs (Level 3) less any estimated selling costs. We recorded an impairment loss of $1.7 million in 2017 which represents the excess of the carrying value over the fair value; the impairment is recorded in refranchising and impairment gains/(losses), net in the Consolidated Statements of Operations.

There were no transfers among levels within the fair value hierarchy during fiscal 2018 or 2017.

8. Noncontrolling Interests

At December 31, 2017, Papa John's had five joint venture arrangements in which there were noncontrolling interests held by third parties. In the first quarter of 2018, one joint venture was divested and a second joint venture was divested in the third quarter of 2018.

As of December 30, 2018, there were 183 restaurants that comprise three joint ventures as compared to 246 restaurants in five joint venture arrangements at December 31, 2017. See Note 9 for more information on these related divestitures.

We are required to report the consolidated net (loss) income amounts attributable to the Company and the noncontrolling interests. Additionally, disclosures are required to clearly identify and distinguish between the interests of the Company and the interests of the noncontrolling owners, including a disclosure on the face of the Consolidated Statements of Operations of income attributable to the noncontrolling interest holders.

The income before income taxes attributable to these joint ventures for the years ended December 30, 2018, December 31, 2017 and December 25, 2016 were as follows (in thousands):

	2018	2017	2016
Papa John's International, Inc.	$ 5,794	$ 7,181	$ 9,913
Noncontrolling interests	1,599	4,233	6,272
Total income before income taxes	$ 7,393	$ 11,414	$ 16,185

As of December 30, 2018, the noncontrolling interest holder of one joint venture has the option to require the Company to purchase their interest, though not currently redeemable. Since redemption of the noncontrolling interests is outside of the Company's control, the noncontrolling interests are presented in the caption "Redeemable noncontrolling interests" in the Consolidated Balance sheets.

The following summarizes changes in our redeemable noncontrolling interests in 2018 and 2017 (in thousands):

Balance at December 25, 2016	$ 8,461
Net income	2,195
Distributions	(2,499)
Change in redemption value	(1,419)
Balance at December 31, 2017	$ 6,738
Net loss	(274)
Distributions	(1,000)
Balance at December 30, 2018	$ 5,464

9. Divestitures

Divestitures

In the first quarter of 2018, the Company refranchised 31 restaurants owned through a joint venture in the Denver, Colorado market. The Company held a 60% ownership share in the restaurants being refranchised. The noncontrolling interest portion of the joint venture arrangement was previously recorded at redemption value within the Consolidated Balance Sheet. Total consideration for the asset sale of the restaurants was $4.8 million, consisting of cash proceeds of $3.7 million, including cash paid for various working capital items, and notes financed by Papa John's for $1.1 million.

In connection with the divestiture, we wrote off $700,000 of goodwill. This goodwill was allocated based on the relative fair value of the sales proceeds versus the total fair value of the Company-owned restaurants' reporting unit. We recorded a pre-tax refranchising gain of approximately $690,000.

As a result of assigning our interest in obligations under property leases as a condition of the refranchising of the Denver market, we are contingently liable for payment of the 31 leases. These leases have varying terms, the latest of which expires in 2024. As of December 30, 2018, the estimated maximum amount of undiscounted payments the Company could be required to make in the event of nonpayment by the primary lessee was $2.9 million. The fair value of the guarantee is not material.

In the second quarter of 2018, the Company refranchised 34 Company-owned restaurants and a quality control center located in Beijing and Tianjin, China. The Company recorded an impairment of $1.7 million and $1.4 million in 2017 and 2016, respectively, associated with the China operations and the assets and liabilities were classified as held for sale in the Consolidated Balance Sheet as of December 31, 2017. We recorded a pre-tax loss of approximately $1.9 million associated with the sale of the restaurants and reversed $1.3 million of accumulated other comprehensive income related to foreign currency translation as part of the disposal. The $1.9 million pre-tax loss in 2018 and impairments recorded in 2017 and 2016 are recorded in refranchising and impairment gains (losses), net on the Consolidated Statements of Operations. In addition, we also had $2.4 million of additional tax expense associated with the China refranchise in the second quarter of 2018. This additional tax expense is primarily attributable to the required recapture of operating losses previously taken by the Company.

The following summarizes the associated China assets and liabilities that were classified as held for sale in 2017 (in thousands):

	December 31, 2017
Cash	$ 908
Inventories	505
Prepaid expenses	570
Net property and equipment	4,878
Other assets	946
Valuation allowance	(1,674)
Total assets held for sale	$ 6,133
Accounts payable	$ 1,817
Accrued and other liabilities	470
Total liabilities held for sale	$ 2,287

In the third quarter of 2018, the Company completed the refranchising of 31 stores owned through a joint venture in the Minneapolis, Minnesota market. The Company held a 70% ownership share in the restaurants being refranchised. Total consideration for the asset sale of the restaurants was $3.75 million.

In connection with the divestiture, we wrote off approximately $600,000 of goodwill. This goodwill was allocated based on the relative fair value of the sales proceeds versus the total fair value of the Company-owned restaurants' reporting unit. We recorded a pre-tax refranchising gain of approximately $930,000 associated with the sale of the restaurants.

As a result of assigning our interest in obligations under property leases as a condition of the refranchising of the Minnesota market, we are contingently liable for payment of the 31 leases. These leases have varying terms, the latest of which expires in 2025. As of December 30, 2018, the estimated maximum amount of undiscounted payments the Company could be required to make in the event of nonpayment by the primary lessee was $5.9 million. The fair value of the guarantee is not material.

10. Goodwill

The following summarizes changes in the Company's goodwill, by reportable segment (in thousands):

	Domestic Company-owned Restaurants	International (a)	All Others	Total
Balance as of December 25, 2016	$ 70,048	$ 15,045	$ 436	$ 85,529
Foreign currency adjustments	—	1,363	—	1,363
Balance as of December 31, 2017	70,048	16,408	436	86,892
Divestitures (b)	(1,359)	—	—	(1,359)
Foreign currency adjustments	—	(1,017)	—	(1,017)
Balance as of December 30, 2018	$ 68,689	$ 15,391	$ 436	$ 84,516

(a) The international goodwill balances for all years presented are net of accumulated impairment of $2.3 million associated with our PJUK reporting unit, which was recorded in fiscal 2008.
(b) Includes 62 restaurants located in two domestic markets.

For fiscal year 2018, we performed a quantitative analysis for our domestic Company-owned restaurants, Preferred Marketing Solutions, China, and PJUK reporting units. For fiscal years 2017 and 2016, we performed a qualitative analysis on each reporting unit. No impairment charges were recorded upon the completion of our goodwill impairment tests in 2018, 2017 and 2016, excluding the China goodwill allocated to assets held for sale in 2016.

11. Debt and Credit Arrangements

Long-term debt, net consists of the following (in thousands):

	December 30, 2018	December 31, 2017
Outstanding debt	$ 625,000	$ 470,000
Unamortized debt issuance costs	(3,874)	(3,435)
Current portion of long-term debt	(20,000)	(20,000)
Total long-term debt, less current portion, net	$ 601,126	$ 446,565

On August 30, 2017, the Company entered into a credit agreement (the "Credit Agreement") which provided for a revolving credit facility in an aggregate principal amount of $600.0 million (the "Revolving Facility") and a term loan facility in an aggregate principal amount of $400.0 million (the "Term Loan Facility") and together with the Revolving Facility, the "Facilities". The Facilities mature on August 30, 2022. The loans under the Facilities, after giving effect to the Amendment described below, accrue interest at a per annum rate equal to, at the Company's election, either a LIBOR rate plus a margin ranging from 125 to 250 basis points or a base rate (generally determined by a prime rate, federal funds rate or a LIBOR rate plus 1.00%) plus a margin ranging from 25 to 150 basis points. In each case, the actual margin is determined according to a ratio of the Company's total indebtedness to earnings before interest, taxes, depreciation and amortization ("EBITDA") for the then most recently ended four-quarter period (the "Leverage Ratio"). Quarterly amortization payments are required to be made on the Term Loan Facility in the amount of $5.0 million which began in the fourth quarter of 2017. Loans outstanding under the Credit Agreement may be prepaid at any time without premium or penalty, subject to customary breakage costs in the case of borrowings for which a LIBOR rate election is in effect. Up to $35.0 million of the Revolving Facility may be advanced in certain agreed foreign currencies, including Euros, Pounds Sterling, Canadian Dollars, Japanese Yen, and Mexican Pesos. The Credit Agreement contains customary affirmative and negative covenants, including financial covenants requiring the maintenance of the Leverage Ratio and a specified fixed charge coverage ratio.

On October 9, 2018, we entered into an amendment to the Credit Agreement (the "Amendment"). The amendments and modifications to the Credit Agreement are effective through the remainder of the term of the Facilities and include, without limitation, the following:

- reduction of the maximum amount available under the Revolving Facility to $400.0 million; there was no change in available Term Loan Facility borrowings;
- amendment to the definition of EBITDA to exclude certain costs recorded as Special charges (up to certain pre-defined limits) as detailed in Note 19 "Commitments and Contingencies";
- modification of the financial covenants in the Credit Agreement by increasing the permitted Leverage Ratio to 5.25 to 1.0 beginning in the third quarter of 2018, decreasing over time to 4.00 to 1.0 by 2022; and decreasing the permitted specified fixed charge coverage ratio to 2.00 to 1.0 beginning in the third quarter of 2018 and increasing over time to 2.50 to 1.0 in 2021 and thereafter. We were in compliance with these financial covenants at December 30, 2018;
- certain modifications to the negative covenant restricting the ability to make dividends and distributions. If the Leverage Ratio is above 3.75 to 1.0, the Company cannot repurchase any of its shares of common stock and cannot increase the cash dividend above the lesser of $0.225 per share per quarter or $35 million per fiscal year;
- increase in the interest rate payable on outstanding loans for the Facilities based on the Leverage Ratio as follows:
    - Ø removal of interest rate pricing tiers if the Leverage Ratio of the Company is less than 1.50 to 1.00;
    - Ø if the Leverage Ratio of the Company is greater than 3.50 to 1.00 but less than 4.50 to 1.00, the Company will pay an additional 0.25% per annum interest rate margin on the outstanding loans under the Facilities and an additional 0.05% per annum commitment fee on the unused portion of the Revolving Facility;
    - Ø if the Leverage Ratio of the Company is greater than 4.50 to 1.00, the Company will pay an additional 0.50% per annum interest rate margin on the outstanding loans under the Facilities and an additional 0.10% per annum commitment fee on the unused portion of the Revolving Facility; and
- requirement that the Company and certain direct and indirect domestic subsidiaries of the Company grant a security interest in substantially all of the capital stock and equity interests of their respective domestic and first tier material foreign subsidiaries to secure the obligations owing under the Facilities.

Under the Credit Agreement, as amended, we have the option to increase the Revolving Facility or the Term Loan Facility in an aggregate amount of up to $300.0 million, subject to the Leverage Ratio of the Company not exceeding 4.00 to 1.00.

Our outstanding debt of $625.0 million at December 30, 2018 under the Facilities was composed of $375.0 million outstanding under the Term Loan Facility and $250.0 million outstanding under the Revolving Facility. Including outstanding letters of credit, the Company's remaining availability under the Facilities at December 30, 2018 was approximately $110.0 million.

As of December 30, 2018, the Company had approximately $3.9 million in unamortized debt issuance costs, which are being amortized into interest expense over the term of the Facilities. Upon execution of the Amendment, we wrote off approximately $560,000 of these unamortized debt issuance costs in accordance with applicable accounting guidance. The Company also incurred additional amendment fees of approximately $1.9 million, which will be amortized into interest expense over the remaining term of the Facilities.

We attempt to minimize interest risk exposure by fixing our rate through the utilization of interest rate swaps, which are derivative financial instruments. Our swaps are entered into with financial institutions that participate in the Facilities. By using a derivative instrument to hedge exposures to changes in interest rates, we expose ourselves to credit risk. Credit risk is due to the possible failure of the counterparty to perform under the terms of the derivative contract.

We use interest rate swaps to hedge against the effects of potential interest rate increases on borrowings under our Facilities. As of December 30, 2018, we have the following interest rate swap agreements:

Effective Dates	Floating Rate Debt	Fixed Rates
April 30, 2018 through April 30, 2023	$ 55 million	2.33 %
April 30, 2018 through April 30, 2023	$ 35 million	2.36 %
April 30, 2018 through April 30, 2023	$ 35 million	2.34 %
January 30, 2018 through August 30, 2022	$ 100 million	1.99 %
January 30, 2018 through August 30, 2022	$ 75 million	1.99 %
January 30, 2018 through August 30, 2022	$ 75 million	2.00 %
January 30, 2018 through August 30, 2022	$ 25 million	1.99 %

The gain or loss on the swaps is recognized in other comprehensive (loss) income and reclassified into earnings as adjustments to interest expense in the same period or periods during which the swaps affect earnings.

The following table provides information on the location and amounts of our swaps in the accompanying Consolidated Financial Statements (in thousands):

	Interest Rate Swap Derivatives	
Balance Sheet Location	Fair Value December 30, 2018	Fair Value December 31, 2017
Other current and long-term assets	$ 4,905	$ 651

There were no derivatives that were not designated as hedging instruments.

The effect of derivative instruments on the accompanying Consolidated Financial Statements is as follows (in thousands):

Derivatives - Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in AOCI/AOCL on Derivative	Location of Gain or (Loss) Reclassified from AOCI/AOCL into Income	Amount of Gain or (Loss) Reclassified from AOCI/AOCL into Income	Total Interest Expense on Consolidated Statements of Operations
Interest rate swaps:				
2018	$ 3,222	Interest expense	$ (22)	$ (25,306)
2017	$ 891	Interest expense	$ (421)	$ (11,283)
2016	$ 940	Interest expense	$ (1,161)	$ (7,397)

The weighted average interest rates on our debt, including the impact of the interest rate swap agreements, were 3.9%, 2.7% and 2.1% in fiscal 2018, 2017 and 2016, respectively. Interest paid, including payments made or received under the swaps, was $23.5 million in 2018, $10.8 million in 2017 and $7.1 million in 2016. As of December 30, 2018, the portion of the $4.9 million interest rate swap asset that would be reclassified into earnings during the next 12 months as interest income approximates $1.3 million.

12. Net Property and Equipment

Net property and equipment consists of the following (in thousands):

	December 30, 2018	December 31, 2017
Land	$ 33,833	$ 33,994
Buildings and improvements	91,665	91,809
Leasehold improvements	125,192	125,204
Equipment and other	402,991	378,509
Construction in progress	11,491	10,983
Total property and equipment	665,172	640,499
Accumulated depreciation and amortization	(438,278)	(406,168)
Net property and equipment	$ 226,894	$ 234,331

13. Notes Receivable

Selected domestic and international franchisees have borrowed funds from the Company, principally for use in the construction and development of their restaurants. In 2018, the Company also provided certain franchisees with royalty payment plans. We have also entered into loan agreements with certain franchisees that purchased restaurants from us or from other franchisees. Loans outstanding were approximately $28.8 million and $19.9 million on a consolidated basis as of December 30, 2018 and December 31, 2017, respectively, net of allowance for doubtful accounts.

The majority of notes receivable bear interest at fixed or floating rates and are generally secured by the assets of each restaurant and the ownership interests in the franchisee. Interest income recorded on franchisee loans was approximately $750,000 in 2018, $579,000 in 2017 and $684,000 in 2016 and is reported in investment income in the accompanying Consolidated Statements of Operations.

Based on our review of certain borrowers' economic performance and underlying collateral value, we established allowances of $3.4 million and $1.0 million as of December 30, 2018 and December 31, 2017, respectively, for potentially uncollectible notes receivable. The following summarizes changes in our notes receivable allowance for doubtful accounts (in thousands):

Balance as of December 25, 2016	$ 2,759
Recovered from costs and expenses	(1,715)
Deductions, including notes written off	3
Balance as of December 31, 2017	1,047
Recovered from costs and expenses	(393)
Additions, net of notes written off	2,715
Balance as of December 30, 2018	$ 3,369

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14. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following (in thousands):

	December 30, 2018	December 31, 2017
Salaries, benefits and bonuses	$ 12,979	$ 15,365
Insurance reserves, current	33,769	19,847
Purchases	11,336	11,364
Customer loyalty program (a)	18,019	4,276
Rent	3,932	3,794
Marketing	4,539	1,481
Deposits	1,415	3,091
Utilities	1,478	1,382
Consulting and professional fees	8,671	1,134
Legal costs	2,093	804
Other	7,481	7,755
Total	$ 105,712	$ 70,293

(a) See Note 2 and Note 3 for additional information regarding the change in accounting for the customer loyalty program.

15. Other Long-term Liabilities

Other long-term liabilities consist of the following (in thousands):

	December 30, 2018	December 31, 2017
Deferred compensation plan	$ 27,796	$ 28,690
Insurance reserves	42,144	21,995
Accrued rent	6,461	7,129
Other	2,923	2,332
Total	$ 79,324	$ 60,146

16. Other General Expenses

Other general expenses are included within General and administrative expenses and primarily consist of the following (in thousands):

	Year Ended		
	December 30, 2018	December 31, 2017	December 25, 2016
Contribution to National Marketing Fund (a)	$ 10,000	$ -	$ -
Re-imaging costs for restaurants and write-off of brand assets (b)	5,841	-	-
Provision (credit) for uncollectible accounts and notes receivable (c)	3,338	(1,441)	(450)
Loss on disposition of fixed assets	2,233	2,493	623
Papa Rewards (d)	-	1,046	442
Franchise support initiative (e)	34	2,986	3,185
Other	(1,725)	343	361
Other general expenses	19,721	5,427	4,161
Special Committee costs (f)	19,474	-	-
Administrative expenses	153,356	145,439	153,974
General and administrative expenses	$ 192,551	$ 150,866	$ 158,135

(a) Incremental contributions to National Marketing Fund to increase marketing and promotional activities during 2018. See Note 19 for additional information.

(b) During 2018, the Company paid for certain re-imaging costs for both Company-owned and franchise units. See Note 19 for additional information.

(c) Bad debt recorded on accounts receivable and notes receivable.

(d) Online customer loyalty program costs in 2017 and 2016. In 2018, the Company adopted Topic 606 with updated accounting guidelines for loyalty programs which are now recorded as a reduction to domestic Company-owned restaurants revenue. See Notes 3 and 4 for additional information.

(e) Franchise incentives include incentives to franchisees for opening new restaurants. In 2018, the Company adopted Topic 606 with updated accounting guidelines for new store equipment incentives, which are now recorded as a reduction of commissary revenues. See Notes 3 and 4 for additional information.

(f) Costs totaling approximately $19.5 million associated with the activities of the Special Committee of the Board of Directors, including legal and advisory costs related to the review of a wide range of strategic opportunities for the Company that culminated in the recent strategic investment in the Company by affiliates of Starboard Value LP, as well as a third-party audit of the culture of Papa John's. See Note 19 for additional information.

17. Income Taxes

The following table presents the domestic and foreign components of income (loss) before income taxes for 2018, 2017 and 2016 (in thousands):

	2018	2017	2016
Domestic income / (loss)	$ (10,471)	$ 122,828	$ 146,063
Foreign income	16,362	17,514	12,746
Total income	$ 5,891	$ 140,342	$ 158,809

A summary of the provision (benefit) for income tax follows (in thousands):

	2018	2017	2016
Current:			
Federal	$ (5,324)	$ 28,951	$ 32,477
Foreign	4,736	4,602	2,669
State and local	1,529	(234)	2,947
Deferred	1,705	498	11,624
Total income taxes	$ 2,646	$ 33,817	$ 49,717

Significant deferred tax assets (liabilities) follow (in thousands):

	December 30, 2018	December 31, 2017
Accrued liabilities	$ 16,339	$ 11,378
Accrued bonuses	724	192
Other assets and liabilities	10,705	7,913
Equity awards	5,862	5,690
Other	2,196	2,178
Foreign net operating losses	1,555	2,773
Foreign tax credit carryforwards	7,230	4,707
Total deferred tax assets	44,611	34,831
Valuation allowance on foreign net operating and capital losses, foreign deferred tax assets, and foreign tax credit carryforwards	(8,183)	(7,415)
Total deferred tax assets, net of valuation allowances	36,428	27,416
Deferred expenses	(5,576)	(6,912)
Accelerated depreciation	(24,239)	(19,228)
Goodwill	(12,645)	(12,248)
Other	(1,064)	(989)
Total deferred tax liabilities	(43,524)	(39,377)
Net deferred liability	$ (7,096)	$ (11,961)

The Company had approximately $5.3 million and $9.4 million of foreign net operating loss carryovers as of December 30, 2018 and December 31, 2017, respectively. The Company had approximately $0.6 million and $2.1 million of valuation allowances primarily related to these foreign net operating losses as of December 30, 2018 and December 31, 2017, respectively. A substantial majority of our foreign net operating losses do not have an expiration date.

In addition, the Company had approximately $7.2 million in foreign tax credit carryforwards as of December 30, 2018 that expire 10 years from inception in years 2025 through 2028. Our ability to utilize these foreign tax credit carryforwards is dependent on our ability to generate foreign earnings in future years sufficient to claim foreign tax credits in excess of foreign taxes paid in those years. The Company provided a full valuation allowance of $7.2 million for these foreign tax credit carryforwards as we believe realization based on the more-likely-than-not criteria has not been met as of December 30, 2018.

The reconciliation of income tax computed at the U.S. federal statutory rate to income tax expense for the years ended December 30, 2018, December 31, 2017 and December 25, 2016 is as follows in both dollars and as a percentage of income before income taxes ($ in thousands):

	2018		2017		2016	
	Income Tax Expense	Income Tax Rate	Income Tax Expense	Income Tax Rate	Income Tax Expense	Income Tax Rate
Tax at U.S. federal statutory rate	$ 1,237	21.0 %	$ 49,120	35.0 %	$ 55,583	35.0 %
State and local income taxes	150	2.6 %	2,432	1.7 %	2,972	1.9 %
Foreign income taxes	4,879	82.8 %	5,306	3.8 %	3,143	2.0 %
Income of consolidated partnerships attributable to noncontrolling interests	(371)	(6.3)%	(1,554)	(1.1)%	(2,312)	(1.4)%
Non-qualified deferred compensation plan (income) loss	483	8.2 %	(1,236)	(0.9)%	(428)	(0.3)%
Excess tax benefits on equity awards	447	7.6 %	(1,879)	(1.4)%	—	— %
Remeasurement of deferred taxes	—	— %	(7,020)	(5.0)%	—	— %
Tax credits	(6,945)	(117.9)%	(6,909)	(4.9)%	(6,771)	(4.3)%
Disposition of China	4,118	69.9 %	—	— %	—	%
Other	(1,352)	17.5 %	(4,443)	(3.1)%	(2,470)	(1.6)%
Total	$ 2,646	85.4 %	$ 33,817	24.1 %	$ 49,717	31.3 %

Income taxes paid were $14.0 million in 2018, $37.2 million in 2017 and $35.1 million in 2016.

On December 22, 2017, the Tax Cuts and Jobs Act, (the “Tax Act”) was signed into law. The Tax Act contains substantial changes to the Internal Revenue Code, including a reduction of the corporate tax rate from 35% to 21% effective January 1, 2018. Upon enactment, 2017 deferred tax assets and liabilities were remeasured. This remeasurement yielded a benefit of approximately $7.0 million in the fourth quarter of 2017. At December 30, 2018 the Company has completed its analysis of the Tax Act. See Note 2 for additional information.

The Company files income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. The Company, with few exceptions, is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2014. The Company is currently undergoing examinations by various tax authorities. The Company anticipates that the finalization of these current examinations and other issues could result in a decrease in the liability for unrecognized tax benefits (and a decrease of income tax expense) of approximately $240,000 during the next 12 months.

The Company had $2.0 million of unrecognized tax benefits at December 30, 2018 which, if recognized, would affect the effective tax rate. A reconciliation of the beginning and ending liability for unrecognized tax benefits excluding interest and penalties is as follows, which is recorded as an other long-term liability (in thousands):

Balance at December 25, 2016	$ 4,827
Additions for tax positions of current year	134
Additions for tax positions of prior years	(2,862)
Reductions for lapse of statute of limitations	(71)
Balance at December 31, 2017	2,028
Additions for tax positions of current year	510
Reductions for tax positions of prior years	(515)
Reductions for lapse of statute of limitations	—
Balance at December 30, 2018	$ 2,023

The Company recognizes accrued interest and penalties related to unrecognized tax benefits as part of income tax expense. The Company’s 2018 and 2017 income tax expense includes interest expense of $39,000 and a benefit of $416,000, respectively. The Company has accrued approximately $165,000 and $124,000 for the payment of interest and penalties as of December 30, 2018 and December 31, 2017, respectively.

18. Related Party Transactions

Certain of our officers and directors own equity interests in entities that franchise restaurants. Following is a summary of full-year transactions and year-end balances with franchisees owned by related parties (in thousands):

	2018	2017	2016
Revenues from affiliates:			
North America commissary sales	$ 2,653	$ 2,619	$ 2,372
Other sales	238	336	248
North America franchise royalties and fees	429	439	413
Total	$ 3,320	$ 3,394	$ 3,033

	December 30, 2018	December 31, 2017
Accounts receivable affiliates	$ 69	$ 86

The revenues from affiliates were at rates and terms available to independent franchisees.

We had the following transactions with PJMF:

- Papa John's contributed $10.0 million to the PJMF for additional advertising in 2018. See Notes 16 and 19 for additional information.
- PJMF reimbursed Papa John's $900,000, $1.6 million and $1.1 million in 2018, 2017, and 2016, respectively, for certain costs associated with national pizza giveaways awarded to our online loyalty program customers.
- PJMF reimbursed Papa John's $1.0 million in 2018, $1.3 million in 2017 and $1.4 million in 2016 for certain administrative services (i.e. marketing, accounting, and information services), graphic design services, services and expenses of our founder as former brand spokesman, and for software maintenance fees.

We paid $300,000 in 2018, $446,000 in 2017 and $732,000 in 2016 for charter aircraft services provided by an entity owned by board member, John H. Schnatter. See Note 19 for additional information.

19. Litigation, Commitments and Contingencies

Litigation

The Company is involved in a number of lawsuits, claims, investigations and proceedings, including those specifically identified below, consisting of intellectual property, employment, consumer, commercial and other matters arising in the ordinary course of business. In accordance with ASC 450 "Contingencies," the Company has made accruals with respect to these matters, where appropriate, which are reflected in the Company's consolidated financial statements. We review these provisions at least quarterly and adjust these provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case.

Ameranth, Inc. vs Papa John's International, Inc. In August 2011, Ameranth, Inc. ("Ameranth") filed various patent infringement actions against a number of defendants, including the Company, in the U.S. District Court for the Southern District of California (the "California Court"), which were consolidated by the California Court in October 2012 (the "Consolidated Case"). The Consolidated Case was stayed until January 2018 when Ameranth decided to proceed on only one patent, after the Company received a favorable decision by the Patent and Trademark Office on certain other patents. A Markman hearing was held in December 2017, which did not dispose of Ameranth's claims, and the California Court set a jury trial date of for the claims against the Company. However, on September 25, 2018, the California Court granted the defendants' Motion for Summary Judgment and found that the Ameranth patent at issue was invalid. Ameranth filed an appeal on October 25, 2018, which is currently being briefed by the parties. The California

Court has issued a stay of the case pending the outcome of the appeal, and the Company does not expect a decision until early 2020. The Company believes this case lacks merit and that it has strong defenses to all of the infringement claims. The Company intends to defend the suit vigorously. However, the Company is unable to predict the likelihood of success of Ameranth's appeal. The Company has not recorded a liability related to this lawsuit as of December 30, 2018, as it does not believe a loss is probable or reasonably estimable.

Durling et al v. Papa John's International, Inc., is a conditionally certified collective action filed in May 2016 in the United States District Court for the Southern District of New York ("the New York Court"), alleging that corporate restaurant delivery drivers were not properly reimbursed for vehicle mileage and expenses in accordance with the Fair Labor Standards Act ("FLSA"). In July 2018, the New York Court granted a motion to certify a conditional corporate collective class and the opt-in notice process has been completed. As of the close of the opt-in period on October 29, 2018, approximately 9,571 drivers opted into the collective class. On February 5, 2019, the Court denied Plaintiffs' request to amend their complaint. The Company continues to deny any liability or wrongdoing in this matter and intends to vigorously defend this action. The Company has not recorded any liability related to this lawsuit it does not believe a loss is probable or reasonably estimable.

Other Matters

We have experienced negative publicity and consumer sentiment as a result of statements by the Company's founder and former spokesperson John H. Schnatter in late 2017 and in July 2018, which contributed to our negative sales results in 2018. Mr. Schnatter resigned as Chairman of the Board on July 11, 2018, the same day that the media reported certain controversial statements made by Mr. Schnatter. A Special Committee of the Board of Directors consisting of all of the independent directors (the "Special Committee") was formed on July 15, 2018 to evaluate and take action with respect to all of the Company's relationships and arrangements with Mr. Schnatter. In addition, on July 27, 2018, the Company announced that the Board's Lead Independent Director, Olivia F. Kirtley, had been unanimously appointed by the Board of Directors to serve as Chairman of the Company's Board of Directors. Following its formation, the Special Committee terminated Mr. Schnatter's Founder Agreement, which defined his role in the Company, among other things, as advertising and brand spokesperson for the Company. The Special Committee oversaw the previously announced external audit and investigation of all the Company's existing processes, policies and systems related to diversity and inclusion, supplier and vendor engagement and Papa John's culture, which is substantially complete. The Special Committee has delivered recommendations resulting from the audit to Company management, who will implement the recommendations, including initiatives and training regarding Diversity, Equity, and Inclusion. The Company is also implementing various branding and marketing initiatives, including a new advertising and marketing campaign.

In 2018, the Company incurred significant costs (defined as "Special charges") as a result of the above-mentioned recent events. We incurred $50.7 million of Special charges as follows:

- franchise royalty reductions of approximately $15.4 million for all North America franchisees,
- reimaging costs at domestic and international restaurants and replacement or write off of certain branded assets totaling $5.8 million,
- contribution of $10.0 million to the Papa John's Marketing Fund for additional advertising, and
- legal and professional fees, which amounted to $19.5 million, for various matters relating to the review of a wide range of strategic opportunities for the Company that culminated in the recent strategic investment in the Company by affiliates of Starboard, as well as a previously announced external culture audit and other activities overseen by the Special Committee.

The franchise royalty reductions reduce the amount of North America franchise royalties and fees revenues within our Consolidated Statements of Operations. All other costs associated with these events are included in General and administrative expenses within the Consolidated Statements of Operations. See Note 16 for additional details.

On July 26, 2018, John H. Schnatter filed a complaint in the Court of Chancery of the State of Delaware seeking to inspect certain books and records of the Company. On January 15, 2019, the Court of Chancery of the State of Delaware issued an opinion that Mr. Schnatter was entitled to review a limited set of documents and e-mails related to his change in position.

While the Company believes that the request for inspection is not for a proper purpose under Delaware law, the Company is complying with the decision of the Court of Chancery of the State of Delaware.

On August 30, 2018, Mr. Schnatter filed a lawsuit in the Court of Chancery of the State of Delaware against the Company, its chief executive officer, and the members of the Special Committee, claiming breaches of fiduciary duty. On September 21, 2018, Mr. Schnatter amended his complaint to drop the chief executive officer as a defendant. Mr. Schnatter seeks a number of injunctions forbidding the Special Committee from taking various actions and seeks to invalidate the Company's stockholder rights plan. On February 13, 2019, Mr. Schnatter filed a second amended complaint challenging certain provisions of the Company's stockholder rights plan and terms of the governance agreement with the third party investor, Starboard Value LP. The action was dismissed without prejudice pursuant to the terms of a March 4, 2019 agreement entered into between the Company and Mr. Schnatter.

On August 30, 2018, a class action lawsuit was filed in the United States District Court, Southern District of New York, *Danker v. Papa John's International, Inc. et al*, on behalf of a class of investors who purchased or acquired stock in Papa John's through a period up to and including July 19, 2018. The complaint alleges violations of Sections l0(b) and 20(a) of the Securities Exchange Act of 1934. The District Court has appointed the Oklahoma Law Enforcement Retirement System to lead the case and has also issued a scheduling order for the case to proceed. An amended complaint was filed on February 13, 2019. The Company believes that it has valid and meritorious defenses to these suits and intends to vigorously defend against them. The Company has not recorded any liability related to these lawsuits as of December 30, 2018 as it does not believe a loss is probable or estimable.

Leases

We lease office, retail and commissary space under operating leases, which have an average term of five years and provide for at least one renewal. Certain leases further provide that the lease payments may be increased annually based on the fixed rate terms or adjustable terms such as the Consumer Price Index. We also lease the tractors and trailers used by our distribution subsidiary, ("PJFS"), for an average period of seven years. PJUK, our subsidiary located in the United Kingdom, also leases certain retail space, which is primarily subleased to our franchisees. Total sublease income for sites to our franchisees and other third parties, the majority of which were with PJUK, were $8.6 million, $7.4 million and $7.5 million in 2018, 2017 and 2016, respectively.

Total lease expense was $44.8 million, $45.0 million, and $45.0 million in 2018, 2017, and 2016, respectively.

Future lease costs and future expected sublease income as of December 30, 2018, are as follows (in thousands):

Year	Gross Lease Costs	Future Expected Sublease Income
2019	$ 40,834	$ 8,079
2020	36,631	8,061
2021	31,159	7,818
2022	25,188	7,462
2023	18,694	7,182
Thereafter	57,304	42,518
Total	$ 209,810	$ 81,120

As a result of assigning our interest in obligations under property leases as a condition of the refranchising of certain restaurants, we are contingently liable for payment of approximately 124 domestic leases. These leases have varying terms, the latest of which expires in 2033. As of December 30, 2018, the estimated maximum amount of undiscounted payments the Company could be required to make in the event of nonpayment by the primary lessees was $11.9 million. The fair value of the guarantee is not material.

20. Equity Compensation

We award stock options, time-based restricted stock and performance-based restricted stock units from time to time under the Papa John's International, Inc. 2018 Omnibus Incentive Plan. There are approximately 6.6 million shares of common stock authorized for issuance and remaining available under the 2018 Omnibus Incentive Plan as of December 30, 2018, which includes 5.3 million shares transferred from the Papa John's International 2011 Omnibus Incentive Plan. Option awards are granted with an exercise price equal to the market price of the Company's stock at the date of grant. Options outstanding as of December 30, 2018 generally expire ten years from the date of grant and generally vest over a three-year period.

We recorded stock-based employee compensation expense of $9.9 million in 2018, $10.4 million in 2017 and $10.1 million in 2016. The total related income tax benefit recognized in the Consolidated Statement of Operations was $2.3 million in 2018, $3.8 million in 2017 and $3.7 million in 2016. At December 30, 2018, there was $16.8 million of unrecognized compensation cost related to nonvested option awards and time-based restricted stock units, of which the Company expects to recognize $10.2 million in 2019, $6.2 million in 2020 and $400,000 in 2021.

Stock Options

Options exercised, which were issued from authorized shares, included 75,000 shares in 2018, 147,000 shares in 2017 and 478,000 shares in 2016. The total intrinsic value of the options exercised during 2018, 2017 and 2016 was $1.5 million, $5.2 million and $18.6 million, respectively. Cash received upon the exercise of stock options was $2.7 million, $6.3 million and $7.1 million during 2018, 2017 and 2016, respectively, and the related tax (expense) or benefits realized were approximately ($300,000), $1.9 million and $6.9 million during the corresponding periods.

Information pertaining to option activity during 2018 is as follows (number of options and aggregate intrinsic value in thousands):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2017	1,452	$ 53.43		
Granted	456	59.23		
Exercised	(75)	36.06		
Cancelled	(219)	65.33		
Outstanding at December 30, 2018	1,614	$ 54.27	6.79	$ 5,985
Exercisable at December 30, 2018	976	$ 47.66	5.55	$ 5,985

The following is a summary of the significant assumptions used in estimating the fair value of options granted in 2018, 2017 and 2016:

	2018	2017	2016
Assumptions (weighted average):			
Risk-free interest rate	2.7 %	2.0 %	1.3 %
Expected dividend yield	1.5 %	1.0 %	1.2 %
Expected volatility	27.6 %	26.7 %	27.4 %
Expected term (in years)	5.6	5.6	5.5

The risk-free interest rate for the periods within the contractual life of an option is based on the U.S. Treasury yield curve in effect at the time of grant. The expected dividend yield was estimated as the annual dividend divided by the market price of the Company's shares on the date of grant. Expected volatility was estimated by using the Company's historical share price volatility for a period similar to the expected life of the option.

Options granted generally vest in equal installments over three years and expire ten years after grant. The expected term for these options represents the period of time that options granted are expected to be outstanding and was calculated using historical experience.

The weighted average grant-date fair values of options granted during 2018, 2017 and 2016 was $15.27, $19.88 and $13.96, respectively. The Company granted options to purchase 456,000, 315,000 and 403,000 shares in 2018, 2017 and 2016, respectively.

Restricted Stock and Restricted Stock Units

We granted shares of restricted stock that are time-based and generally vest in equal installments over three years (260,000 in 2018, 73,000 in 2017 and 85,000 in 2016). Upon vesting, the shares are issued from treasury stock. These restricted shares are intended to focus participants on our long-range objectives, while at the same time serving as a retention mechanism. We consider time-based restricted stock awards to be participating securities because holders of such shares have non-forfeitable dividend rights. We declared dividends totaling $185,000 ($0.90 per share) in 2018, $128,000 ($0.85 per share) in 2017 and $117,000 ($0.75 per share) in 2016 to holders of time-based restricted stock.

Additionally, we granted stock settled performance-based restricted stock units to executive management (70,000 units in 2018, 13,000 units in 2017, and 14,000 units in 2016). The vesting of these awards (a three-year cliff vest) is dependent upon the Company's achievement of a compounded annual growth rate of earnings per share and the achievement of certain sales and unit growth metrics. Upon vesting, the shares are issued from authorized shares.

The fair value of both time-based restricted stock and performance-based restricted stock units is based on the market price of the Company's shares on the grant date. Information pertaining to these awards during 2018 is as follows (shares in thousands):

	Shares	Weighted Average Grant-Date Fair Value
Total as of December 31, 2017	181	$ 69.11
Granted	330	57.37
Forfeited	(54)	64.67
Vested	(87)	66.59
Total as of December 30, 2018	370	$ 59.84

21. Employee Benefit Plans

We have established the Papa John's International, Inc. 401(k) Plan (the "401(k) Plan"), as a defined contribution benefit plan, in accordance with Section 401(k) of the Internal Revenue Code. The 401(k) Plan is open to employees who meet certain eligibility requirements and allows participating employees to defer receipt of a portion of their compensation and contribute such amount to one or more investment funds. At our discretion, we may make matching contribution payments, which are subject to vesting based on an employee's length of service with us.

In addition, we maintain a non-qualified deferred compensation plan available to certain employees and directors. Under this plan, the participants may defer a certain amount of their compensation, which is credited to the participants' accounts. The participant-directed investments associated with this plan are included in other long-term assets ($27.8 million and $28.6 million at December 30, 2018 and December 31, 2017, respectively) and the associated liabilities ($27.8 million and $28.7 million at December 30, 2018 and December 31, 2017, respectively) are included in other long-term liabilities in the accompanying Consolidated Balance Sheets.

At our discretion, we contributed a matching payment of 1.5% in 2018 and 3% in 2017 and 2016, up to a maximum of 6% deferred, in 2018, 2017 and 2016, of a participating employee's earnings deferred into both the 401(k) Plan and the non-qualified deferred compensation plan. Such costs were $1.1 million in 2018, $2.3 million in 2017 and $2.6 million in 2016.

22. Segment Information

We have four reportable segments: domestic Company-owned restaurants, North America commissaries, North America franchising and international operations. The domestic Company-owned 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, including breadsticks, cheesesticks, chicken poppers and wings, dessert items and canned or bottled beverages. The North America 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 in the United States and Canada. The North America 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 franchisees located in the United States and Canada. The international segment principally consists of distribution sales to franchised Papa John's restaurants located in the United Kingdom and Mexico and our franchise sales and support activities, which derive revenues from sales of franchise and development rights and the collection of royalties from our international franchisees. International franchisees are defined as all franchise operations outside of the United States and Canada. All other business units that do not meet the quantitative thresholds for determining reportable segments, which are not operating segments, we refer to as "all other," which consists of operations that derive revenues from the sale, principally to Company-owned and franchised restaurants, of printing and promotional items, franchise contributions to marketing funds and information systems and related services used in restaurant operations, including our point-of-sale system, online and other technology-based ordering platforms.

Generally, we evaluate performance and allocate resources based on profit or loss from operations before income taxes and intercompany 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 activity 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 (see Note 2).

Our segment information is as follows:

(In thousands)	2018	2017	2016
Revenues			
Domestic Company-owned restaurants	$ 692,380	$ 816,718	$ 815,931
North America commissaries	609,866	673,712	623,883
North America franchising	79,293	106,729	102,980
International	131,268	126,285	113,103
All others	60,509	59,915	57,723
Total revenues	$ 1,573,316	$ 1,783,359	$ 1,713,620
Intersegment revenues:			
North America commissaries	$ 201,325	$ 244,699	$ 236,896
North America franchising	2,965	3,342	2,869
International	283	273	269
All others	30,696	16,715	16,410
Total intersegment revenues	$ 235,269	$ 265,029	$ 256,444
Depreciation and amortization:			
Domestic Company-owned restaurants	$ 15,411	$ 15,484	$ 16,028
North America commissaries	7,397	6,897	6,027
International	1,696	2,018	2,188
All others	8,513	5,276	3,830
Unallocated corporate expenses	13,386	13,993	12,914
Total depreciation and amortization	$ 46,403	$ 43,668	$ 40,987
Income (loss) before income taxes:			
Domestic Company-owned restaurants (1)	$ 18,988	$ 47,548	$ 75,136
North America commissaries (2)	27,961	47,844	46,325
North America franchising (3)	70,732	96,298	91,669
International (4)	14,399	15,888	11,408
All others (2) (5)	(6,888)	(179)	1,467
Unallocated corporate expenses (2) (3) (5)	(118,296)	(66,099)	(64,791)
Elimination of intersegment (profits) losses	(1,005)	(958)	(2,405)
Total (loss) income before income taxes	$ 5,891	$ 140,342	$ 158,809

(1) Includes a $300,000 and $11.6 million refranchising loss/gain in 2018 and 2016, respectively. See Note 9 for additional information.

(2) The Company refined its overhead allocation process in 2018 resulting in transfers of expenses from Unallocated corporate expenses of $13.2 million to other segments, primarily North America commissaries of $7.9 million and All others of $3.5 million for the year ended December 30, 2018.

(3) Includes Special charges of $15.4 million in North America franchising and $35.3 million in Unallocated corporate expenses for the year ended December 30, 2018, as detailed in Note 16. See Note 19 for additional information.

(4) Includes a $1.7 million and $1.4 million impairment loss in 2017 and 2016, respectively. See Note 9 for additional information.

(5) Certain prior year amounts have been reclassified to conform to current year presentation.

(In thousands)	2018	2017	2016
Property and equipment:			
Domestic Company-owned restaurants	$ 236,526	$ 235,640	$ 225,081
North America commissaries	140,309	136,701	128,469
International	17,218	17,257	15,673
All others	71,880	58,977	55,586
Unallocated corporate assets	199,239	191,924	192,548
Accumulated depreciation and amortization	(438,278)	(406,168)	(386,884)
Net property and equipment	$ 226,894	$ 234,331	$ 230,473
Expenditures for property and equipment:			
Domestic Company-owned restaurants	$ 13,568	$ 15,245	$ 16,257
North America commissaries	3,994	14,767	14,164
International	986	1,884	4,390
All others	13,438	8,239	7,897
Unallocated corporate	10,042	12,458	12,846
Total expenditures for property and equipment	$ 42,028	$ 52,593	$ 55,554

23. Quarterly Data - Unaudited, in Thousands, except Per Share Data

Our quarterly select financial data is as follows:

	Quarter			
2018	**1st**	**2nd**	**3rd**	**4th**
Total revenues	$ 427,369	$ 407,959	$ 364,007	$ 373,981
Operating income (loss)	27,317	25,367	(13,990)	(8,314)
Net income (loss) attributable to the Company (a)	16,737	11,791	(13,033)	(13,849)
Basic earnings per common share (a)	$ 0.50	$ 0.37	$ (0.41)	$ (0.44)
Diluted earnings per common share (a)	$ 0.50	$ 0.36	$ (0.41)	$ (0.44)
Dividends declared per common share	$ 0.225	$ 0.225	$ 0.225	$ 0.225

	Quarter			
2017	**1st**	**2nd**	**3rd**	**4th**
Total revenues	$ 449,266	$ 434,778	$ 431,709	$ 467,606
Operating income	43,681	37,217	33,515	36,604
Net income attributable to the Company (b)	28,428	23,538	21,817	28,509
Basic earnings per common share (b)	$ 0.78	$ 0.66	$ 0.61	$ 0.82
Diluted earnings per common share (b)	$ 0.77	$ 0.65	$ 0.60	$ 0.81
Dividends declared per common share	$ 0.200	$ 0.200	$ 0.225	$ 0.225

(a) The year ended December 30, 2018 was impacted by the following:

i. The second quarter of 2018 includes an after income tax loss of $1.6 million and an unfavorable impact of $0.05 on basic and diluted EPS from the sale of our Company-owned stores in China. See Note 9 for additional information.

ii. The second quarter of 2018 also includes a tax increase of $2.4 million and an unfavorable impact of $0.07 on basic and diluted EPS related to the refranchising our China stores. See Note 17 for additional information.

   iii. The third and fourth quarters of 2018 include an after income tax loss of $19.3 million and $19.7 million, respectively, and unfavorable impact on diluted EPS of $0.61 and $0.63, respectively, from Special charges. See Note 19 for additional information.
   iv. The fourth quarter of 2018 includes an after tax gain of $1.3 million and a favorable impact of $0.04 on basic and diluted EPS related to the Company's refranchising of Company-owned restaurants.

(b) The year ended December 31, 2017 was impacted by the following:
   i. The fourth quarter of 2017 includes an after income tax loss of $1.3 million and an unfavorable impact of $0.04 on basic and diluted EPS from an impairment charge related to our Company-owned stores in China. See Note 9 for additional information.
   ii. The fourth quarter of 2017 also includes a tax benefit of $7.0 million and favorable impact of $0.20 on basic and diluted EPS related to the "Tax Cuts and Jobs Act" that was signed in 2017. See Note 17 for additional information.
   iii. The fourth quarter of 2017 includes an after income tax benefit of $3.9 million and favorable impact on diluted EPS of $0.11 from a 14th week of operations.

(c) All quarterly information except for the fourth quarter of 2017, is presented in 13-week periods. The fourth quarter of 2017 includes a 14-week period, which increased income after tax approximately $3.9 million, or $0.11 per diluted share.

Quarterly earnings per share on a full-year basis may not agree to the Consolidated Statements of Operations due to rounding.

24. Reclassifications of Prior Year Balances

Papa John's International, Inc. and Subsidiaries
Consolidated Statements of Operations
Summary of Statement of Operations Presentation Reclassifications

	Year Ended December 31, 2017		
(In thousands, except per share amounts)	As reported	Reclassifications	Adjusted
Revenues:			
North America commissary and other sales (1)	$ 733,627	$ (59,915)	$ 673,712
International (2)	126,285	(12,264)	114,021
Other revenues (1) (2)	-	72,179	72,179
Costs and expenses:			
North America commissary and other expenses (1)	$ 685,206	$ (53,669)	$ 631,537
International expenses (2)	78,971	(8,349)	70,622
Other expenses (1) (2) (3)	-	69,335	69,335
General and administrative expenses (3)	158,183	(7,317)	150,866

	Year Ended December 25, 2016		
(In thousands, except per share amounts)	As reported	Reclassifications	Adjusted
Revenues:			
North America commissary and other sales (1)	$ 681,606	$ (57,723)	$ 623,883
International (2)	113,103	(12,199)	100,904
Other revenues (1) (2)	-	69,922	69,922
Costs and expenses:			
North America commissary and other expenses (1)	$ 631,475	$ (51,641)	$ 579,834
International expenses (2)	71,509	(8,935)	62,574
Other expenses (1) (2) (3)	-	66,253	66,253
General and administrative expenses (3)	163,812	(5,677)	158,135

As shown in the table above we have reclassified certain prior year amounts within the Consolidated Statements of Operations for the years ended December 31, 2017 and December 25, 2016 in order to conform with current year presentation. These reclassifications had no effect on previously reported total consolidated revenues, total costs and expenses and net income.

(1) Includes reclassification of previous amounts reported in North America commissary and other sales and expenses including print and promotional items, information systems and related services used in restaurant operations, including our point of sale system, online and other technology-based ordering platforms.
(2) Includes reclassification of previous amounts reported in International related to advertising expenses and rental income and expenses for United Kingdom head leases which are subleased to United Kingdom franchisees.
(3) Includes reclassification of various technology related expenditures for fee-based services discussed in (1) above and advertising expenses to be consistent with 2018 presentation.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

On August 4, 2017, we dismissed Ernst & Young LLP as our independent registered public accounting firm and appointed KPMG LLP as our independent registered public accounting firm for the Company's fiscal year ending December 30, 2018. The engagement of KPMG LLP was approved by the Audit Committee of the Board of Directors. We filed a Current Report on Form 8-K with the Securities and Exchange Commission on August 4, 2017 announcing the change in auditors, in which filing is incorporated by reference herein. Our independent registered accounting firm's report on the financial statements for each of the past two years did not contain an adverse opinion or a disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope, or accounting principles.

We have reclassified certain prior year amounts within the Consolidated Statements of Operations for the years ended December 31, 2017 and December 25, 2016 in order to conform with current year presentation. These reclassifications had no effect on previously reported total consolidated revenues, total costs and expenses and net income. See "Note 24" of "Notes to Consolidated Financial Statements" for additional information. Our previous auditors, Ernst & Young LLP, issued a dual-dated opinion on the previous year's financial statements regarding these reclassifications.

In connection with the foregoing change in accountants, there was no disagreement of the type described in paragraph (a)(1)(iv) of Item 304 of Regulation S-K or any reportable event as described in paragraph (a)(1)(v) of such Item.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based upon this evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures are effective.

(b) Management's Report on our Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) promulgated under the Exchange Act. Our internal control system is designed to provide reasonable assurance to our management and the board of directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission (2013 Framework). Based on our evaluation under the COSO 2013 Framework, our management concluded that our internal control over financial reporting was effective as of December 30, 2018.

KPMG LLP, an independent registered public accounting firm, has audited the 2018 Consolidated Financial Statements included in this Annual Report on Form 10-K and, as part of its audit, has issued an attestation report, included in Item 8. Financial Statement and Supplemental Data, on the effectiveness of our internal control over financial reporting.

(c) Changes in Internal Control over Financial Reporting

During the quarter ended December 30, 2018, management remediated an identified material weakness in internal control over financial reporting related to the review of manual journal entries. No misstatement arose as a result of this deficiency. For the year ended December 30, 2018, management remediated the material weakness by adding controls over the review and approval of manual journal entries. The Company will continue to monitor these new controls and implement additional enhancements in 2019.

Except for the foregoing, there were no changes in internal control over financial reporting during the quarter ended December 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding executive officers is included above under the caption "Executive Officers of the Registrant" at the end of Part I of this Report. Other information regarding directors, executive officers and corporate governance appearing under the captions "Corporate Governance," "Item 1, Election of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance" and "Executive Compensation / Compensation Discussion and Analysis" is incorporated by reference from the Company's definitive proxy statement, which will be filed with the Securities and Exchange Commission no later than 120 days after the end of the fiscal year covered by this Report.

We have adopted a written code of ethics that applies to our directors, officers and employees. We intend to post all required disclosures concerning any amendments to or waivers from, our code of ethics on our website to the extent permitted by NASDAQ. Our code of ethics can be found on our website, which is located at www.papajohns.com.

Item 11. Executive Compensation

Information regarding executive compensation appearing under the captions "Executive Compensation / Compensation Discussion and Analysis," "Compensation Committee Report" and "Certain Relationships and Related Transactions — Compensation Committee Interlocks and Insider Participation" is incorporated by reference from the Company's definitive proxy statement, which will be filed with the Securities and Exchange Commission no later than 120 days after the end of the fiscal year covered by this Report.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table provides information as of December 30, 2018 regarding the number of shares of the Company's common stock that may be issued under the Company's equity compensation plans.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans, excluding securities reflected in column (a)
Equity compensation plans approved by security holders	1,614,551	$ 54.27	6,556,075
Equity compensation plans not approved by security holders *	164,605		
Total	1,779,156	$ 54.27	6,556,075

* Represents shares of common stock issuable pursuant to the non-qualified deferred compensation plan. The weighted average exercise price (column b) does not include any assumed price for issuance of shares pursuant to the non-qualified deferred compensation plan.

Information regarding security ownership of certain beneficial owners and management and related stockholder matters appearing under the caption "Security Ownership of Certain Beneficial Owners and Management" is incorporated by reference from the Company's definitive proxy statement, which will be filed with the Securities and Exchange Commission no later than 120 days after the end of the fiscal year covered by this Report.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding certain relationships and related transactions, and director independence appearing under the captions "Corporate Governance" and "Certain Relationships and Related Transactions" is incorporated by reference from the Company's definitive proxy statement, which will be filed with the Securities and Exchange Commission no later than 120 days after the end of the fiscal year covered by this Report.

Item 14. Principal Accounting Fees and Services

Information regarding principal accounting fees and services appearing under the caption "Ratification of the Selection of Independent Auditors" is incorporated by reference from the Company's definitive proxy statement, which will be filed with the Securities and Exchange Commission no later than 120 days after the end of the fiscal year covered by this Report.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1) Financial Statements:

The following Consolidated Financial Statements, notes related thereto and reports of independent auditors are included in Item 8 of this Report:

- Reports of Independent Registered Public Accounting Firms
- Consolidated Statements of Operations for the years ended December 30, 2018, December 31, 2017 and December 25, 2016
- Consolidated Statements of Comprehensive Income for the years ended December 30, 2018, December 31, 2017 and December 25, 2016
- Consolidated Balance Sheets as of December 30, 2018 and December 31, 2017
- Consolidated Statements of Stockholders' Equity (Deficit) for the years ended December 30, 2018, December 31, 2017 and December 25, 2016
- Consolidated Statements of Cash Flows for the years ended December 30, 2018, December 31, 2017 and December 25, 2016
- Notes to Consolidated Financial Statements

(a)(2) Financial Statement Schedules:

Schedule II - Valuation and Qualifying Accounts

Classification		Balance at Beginning of Year		Charged to (recovered from) Costs and Expenses		Additions / (Deductions)		Balance at End of Year
(in thousands)								
Fiscal year ended December 30, 2018								
Deducted from asset accounts:								
Reserve for uncollectible accounts receivable	$	2,271	$	5,154	$	(5,308)(1)	$	2,117
Reserve for franchisee notes receivable		1,047		(393)		2,715 (1)		3,369
Valuation allowance on deferred tax assets		7,415		(1,754)		2,522		8,183
	$	10,733	$	3,007	$	(71)	$	13,669
Fiscal year ended December 31, 2017								
Deducted from asset accounts:								
Reserve for uncollectible accounts receivable	$	1,486	$	1,744	$	(959)(1)	$	2,271
Reserve for franchisee notes receivable		2,759		(1,715)		3 (1)		1,047
Valuation allowance on deferred tax assets		5,462		(407)		2,360		7,415
	$	9,707	$	(378)	$	1,404	$	10,733
Fiscal year ended December 25, 2016								
Deducted from asset accounts:								
Reserve for uncollectible accounts receivable	$	2,447	$	659	$	(1,620)(1)	$	1,486
Reserve for franchisee notes receivable		3,653		(250)		(644)(1)		2,759
Valuation allowance on deferred tax assets		2,866		249		2,347		5,462
	$	8,966	$	658	$	83	$	9,707

(1) Uncollectible accounts written off and reclassifications between accounts and notes receivable reserves.

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

(a)(3) Exhibits:

The exhibits listed in the accompanying index to Exhibits are filed as part of this Form 10-K.

Item 16. Summary

None.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
3.1	Our Amended and Restated Certificate of Incorporation. Exhibit 3.1 to our Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2014, is incorporated herein by reference.
3.3	Certificate of Designation of Series B Convertible Preferred Stock of Papa John's International, Inc. Exhibit 3.1 to our report on Form 8-K as filed on February 4, 2019, is incorporated herein by reference.
3.4	Certificate of Designation of Series A Junior Participating Preferred Stock of Papa John's International, Inc. Exhibit 3.1 to our report on Form 8-K as filed on July 23, 2018, is incorporated herein by reference.
4.1	Rights Agreement, dated as of July 22, 2018, by and between Papa John's International, Inc. and Computershare Trust Company, N.A., as rights agent. Exhibit 4.1 to our report on Form 8-K as filed on July 23, 2018 is incorporated herein by reference.
4.2	Amendment No. 1 to Rights Agreement dated as of February 3, 2019, by and between Papa John's International, Inc. and Computershare Trust Company, N.A., as rights agent. Exhibit 4.1 to our report on Form 8-K as filed on February 3, 2019 is incorporated herein by reference.
4.3	Amendment No. 2 to Rights Agreement dated as of March 6, 2019 by and between Papa John's International, Inc. and Computershare Trust Company, N.A. as rights agent. Exhibit 4.1 to our report on Form 8-K as filed on March 6, 2019, is incorporated herein by reference.
4.4	Form of Rights Certificate. Exhibit 4.2 to our report on Form 8-K as filed on July 23, 2018 is incorporated herein by reference.
4.5	Specimen Common Stock Certificate. Exhibit 4.1 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 is incorporated herein by reference.
10.1	Form of Papa John's International, Inc. Director Indemnification Agreement.
10.2	Form of Papa John's International, Inc. Officer Indemnification Agreement.
10.3	Indemnification Agreement between Papa John's International, Inc. and John H. Schnatter effective August 6, 2003.
10.4	Securities Purchase Agreement between Papa John's International, Inc. and Starboard Value and Opportunity Master Fund Ltd., Starboard Value and Opportunity Master Fund L LP, Starboard Value and Opportunity C LP, Starboard Value and Opportunity S LLC and Starboard Value LP effective February 3, 2019. Exhibit 10.1 to our report on Form 8-K as filed on February 4, 2019 is incorporated herein by reference.

Exhibit Number	Description of Exhibit
10.5	Registration Rights Agreement between Papa John's International, Inc. and Starboard Value and Opportunity Master Fund Ltd., Starboard Value and Opportunity Master Fund L LP, Starboard Value and Opportunity C LP, Starboard Value and Opportunity S LLC and Starboard Value LP effective February 4, 2019. Exhibit 10.2 to our report on Form 8-K as filed on February 4, 2019 is incorporated herein by reference.
10.6	Governance Agreement between Papa John's International, Inc. and Starboard Value LP, Starboard Value and Opportunity Master Fund Ltd., Starboard Value and Opportunity Master Fund L LP, Starboard Value and Opportunity C LP, Starboard Value and Opportunity S LLC, Starboard Value R LP, Starboard Value GP LLC, Starboard Principal Co LP, Starboard Principal Co GP LLC, Starboard Value L LP, Starboard Value R GP, LLC, Jeffrey C. Smith and Peter A. Feld effective February 4, 2019. Exhibit 10.3 to our report on Form 8-K as filed on February 4, 2019 is incorporated herein by reference.
10.7	Amendment No. 1 to Governance Agreement, by and among Papa John's International and the entities and natural persons listed on the signature pages attached thereto effective March 6, 2019. Exhibit 10.1 to our report on Form 8-K as filed on March 6, 2019 is incorporated herein by reference.
10.8	Agreement by and between Papa John's International, Inc. and John H. Schnatter effective March 4, 2019. Exhibit 10.1 to our report on Form 8-K as filed on March 4, 2019 is incorporated herein by reference.
10.9*	Amendment to Employment Agreement between Papa John's International, Inc. and Steve M. Ritchie effective May 3, 2018. Exhibit 10.1 to our report on Quarterly Report on Form 10-Q for the quarterly period ended July 1, 2018, is incorporated herein by reference.
10.10*	Employment Agreement between Papa John's International, Inc. and Steve M. Ritchie effective March 1, 2015. Exhibit 10.1 to our report on Form 10-K as filed on February 24, 2015 is incorporated herein by reference.
10.11*	Employment Agreement between Papa John's International, Inc. and Michael R. Nettles effective February 1, 2017.
10.12*	Employment Agreement between Papa John's International, Inc. and Joseph H. Smith IV effective May 3, 2018. Exhibit 10.1 to our report on Quarterly Report on Form 10-Q for the quarterly period ended July 1, 2018, is incorporated herein by reference.
10.13*	Employment Agreement between Papa John's International, Inc. and Caroline Miller Oyler effective December 5, 2015.
10.14*	Employment Agreement between Papa John's International, Inc. and Jack Swaysland effective April 18, 2017.
10.15*	Employment Agreement between Papa John's International, Inc. and Lance F. Tucker effective March 1, 2015. Exhibit 10.2 to our report on Form 10-K as filed on February 24, 2015 is incorporated herein by reference.

Exhibit Number	Description of Exhibit
10.16*	Employment Agreement between Papa John's International, Inc. and Timothy C. O'Hern effective March 1, 2015. Exhibit 10.3 to our report on Form 10-K as filed on February 24, 2015 is incorporated herein by reference.
10.17	Credit Agreement, dated August 30, 2017, by and among Papa John's International Inc., as borrower, the Guarantors party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and the other lending institutions that are parties thereto, as Lenders (Conformed copy through amendment no. 2). Exhibit 10.4 to our report on Form 10-K as filed on February 27, 2018, is incorporated herein by reference.
10.18	Amendment No. 3 to Credit Agreement, dated October 9, 2018, by and among Papa John's International, Inc. as borrower, the Guarantors party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and the other lending institutions that are parties thereto, as Lenders. Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018, is incorporated herein by reference.
10.19	Amendment No. 4 to Credit Agreement, dated February 1, 2019, by and among Papa John's International, Inc. as borrower, the Guarantors party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and the other lending institutions that are parties thereto, as Lenders.
10.20*	Papa John's International, Inc. Deferred Compensation Plan, as amended through December 5, 2012. Exhibit 10.1 to our report on Form 10-K as filed on February 28, 2013 is incorporated herein by reference.
10.21*	Papa John's International, Inc. 2018 Omnibus Plan. Registration Statement on Form S-8 (Registration No. 333-224770) dated May 9, 2018 is incorporated herein by reference.
10.22*	Papa John's International, Inc. 2011 Omnibus Incentive Plan. Exhibit 4.1 to our report on Form 8-K as filed on May 3, 2011 is incorporated herein by reference.
10.23*	Agreement for Service as Chairman between John H. Schnatter and Papa John's International, Inc. Exhibit 10.1 to our report on Form 8-K as filed on August 15, 2007 is incorporated herein by reference.
10.24	Agreement for Service as Founder between John H. Schnatter and Papa John's International, Inc. Exhibit 10.2 to our report on Form 8-K as filed on August 15, 2007 is incorporated herein by reference.
10.25	Amended and Restated Exclusive License Agreement between John H. Schnatter and Papa John's International, Inc. Exhibit 10.1 to our report on Form 8-K as filed on May 19, 2008 is incorporated herein by reference.
10.26*	Papa John's International, Inc. Change of Control Severance Plan. Exhibit 10.1 to our report on Form 8-K as filed on November 2, 2018 is incorporated herein by reference.
10.27*	Amendment to Papa John's International, Inc. Severance Pay Plan. Exhibit 10.2 to our report on Form 8-K as filed on November 2, 2018 is incorporated herein by reference.

Exhibit Number	Description of Exhibit
10.28*	Papa John's International, Inc. Severance Pay Plan. Exhibit 10.1 to our report on Form 10-Q filed on May 1, 2012, is incorporated herein by reference.
21	Subsidiaries of the Company.
23.1	Consent of KPMG LLP.
23.2	Consent of Ernst & Young LLP.
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.
101	Financial statements from the Annual Report on Form 10-K of Papa John's International, Inc. for the year ended December 30, 2018, filed on March 8, 2019 formatted in XBRL: (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Stockholders' Equity (Deficit), (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements.

* Compensatory plan required to be filed as an exhibit pursuant to Item 15(c) of Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: March 8, 2019

PAPA JOHN'S INTERNATIONAL, INC.

By: /s/ Steve M. Ritchie
Steve M. Ritchie
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Jeffrey C. Smith Jeffrey C. Smith	Chairman	March 8, 2019
/s/ Steve M. Ritchie Steve M. Ritchie	President and Chief Executive Officer (Principal Executive Officer and Director)	March 8, 2019
/s/ Joseph H. Smith IV Joseph H. Smith IV	Senior Vice President, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 8, 2019
/s/ Christopher L. Coleman Christopher L. Coleman	Director	March 8, 2019
/s/ Olivia F. Kirtley Olivia F. Kirtley	Director	March 8, 2019
/s/ Laurette T. Koellner Laurette T. Koellner	Director	March 8, 2019
/s/ Sonya E. Medina Sonya E. Medina	Director	March 8, 2019
/s/ Anthony M. Sanfilippo Anthony M. Sanfilippo	Director	March 8, 2019
John H. Schnatter	Director	
/s/ Mark S. Shapiro Mark S. Shapiro	Director	March 8, 2019

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this "***Agreement***"), dated the [ ] day of [_________], 2018, is by and between Papa John's International, Inc., a Delaware corporation (the "***Corporation***"), and [_______________], an individual ("***Indemnitee***").

RECITALS

A. Competent and experienced persons may be reluctant to serve, or to continue to serve, as directors of legal entities or in other capacities unless they are provided with adequate protection through insurance or indemnification (or both) against claims against them arising out of their service and activities on behalf of such entities.

B. The Board has determined that enhancing the ability of the Corporation to retain and attract as directors the most capable persons is in the best interests of the Corporation, and that the Corporation therefore should seek to assure such persons that indemnification and insurance coverage is available.

C. As a supplement to and in the furtherance of the Corporation's Amended and Restated Certificate of Incorporation (as may be amended or restated from time to time, the "***Certificate of Incorporation***"), the Corporation's Amended and Restated Bylaws (as may be amended or restated from time to time, the "***Bylaws***"), the organizational documents of any direct or indirect subsidiary of the Corporation (such organizational documents, together with the Certificate of Incorporation and the Bylaws, the "***Constituent Documents***") and the coverage of Indemnitee under the Corporation's directors' and officers' liability or similar insurance policies ("***D&O Insurance***"), it is reasonable, prudent, desirable and necessary for the Corporation contractually to obligate itself to indemnify, and to pay in advance expenses and losses on behalf of, directors and other persons serving in a Corporate Status to the fullest extent permitted by law so that they will serve or continue to serve the Corporation free from concern that they will not be so indemnified and that their expenses will not be so paid in advance. Further, this Agreement is intended to be enforceable irrespective of, among other things, any amendment to the Constituent Documents, any change in the composition of the Board or any Change in Control (as defined below), business combination or similar transaction relating to the Corporation.

D. This Agreement is not a substitute for, nor does it diminish or abrogate any rights of Indemnitee under, the Constituent Documents or any resolutions adopted pursuant thereto (including any contractual rights of Indemnitee that may exist) other than any Existing Agreement (as defined below) which shall be replaced in its entirety by this Agreement. In the event of conflict of any provision(s) of any Constituent Document and this Agreement, the provision(s) of the Constituent Document and this Agreement shall be interpreted together in the manner that is most favorable to the Indemnitee.

E. Indemnitee is or will be a director of the Corporation or one of its direct or indirect subsidiaries (and will have such other role as may be set forth in the definition of Corporate Status) and his or her willingness to serve or continue to serve in such capacity is predicated, in substantial part, upon the Corporation's willingness to indemnify him or her to the fullest extent permitted by the laws of the State of Delaware and upon the other undertakings set forth in this Agreement.

F. Indemnitee may have certain rights to indemnification and/or insurance provided by the Other Indemnitors (as defined below), which Indemnitee and the Other Indemnitors intend to be secondary to the primary obligation of the Corporation to indemnify Indemnitee as provided herein, with the Corporation's acknowledgement and agreement to the foregoing being a material condition to Indemnitee's willingness to serve on the Board.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and covenants contained herein and the Indemnitee's agreement to provide services to the Corporation, the Corporation and Indemnitee hereby agree as follows:

ARTICLE 1
CERTAIN DEFINITIONS

Capitalized terms used but not otherwise defined in this Agreement have the meanings set forth below:

"***Applicable Proceeding***" means (i) any threatened, pending or completed action, suit, claim, demand, arbitration, alternate dispute resolution mechanism, request to toll the statute of limitations, investigation, inquiry, hearing or any other actual, threatened or completed proceeding, including any and all appeals, in each case, whether brought by or in the right of the Corporation (or any of its direct or indirect subsidiaries) or otherwise, whether civil, criminal, administrative, regulatory, arbitrative or investigative, whether formal or informal, whether made pursuant to federal, state, local, or foreign law or otherwise, and whether or not commenced prior to the date of this Agreement, in which Indemnitee was, is or will be involved as a party or otherwise, by reason of or arising from Indemnitee's Corporate Status and by reason of or relating to either (a) any action or alleged action taken by Indemnitee (or failure or alleged failure to act) or of any action or alleged action (or failure or alleged failure to act) on Indemnitee's part, while acting in his or her Corporate Status or (b) the fact that Indemnitee is or was serving at the request of the Corporation (or any of its direct or indirect subsidiaries) in an Enterprise Corporate Status, in each case, whether or not serving in such capacity at the time any Loss or Expense is paid or incurred for which indemnification or advancement of Expenses can be provided under this Agreement, or (ii) any inquiry, hearing or investigation that Indemnitee determines might reasonably lead to the institution of any such action, suit, proceeding or alternative dispute resolutions mechanism. For purposes of this definition, the term "threatened" will be deemed to include Indemnitee's good faith belief that a claim or other assertion might lead to institution of an Applicable Proceeding.

"***Board***" means the Board of Directors of the Corporation or any committee designated by the Board of Directors of the Corporation in respect hereof.

"***Change in Control***" means the occurrence of any of the following: (i) the direct or indirect sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions (including, without limitation, any merger, consolidation or liquidation whether by operation of law or otherwise), of all or substantially all of the properties or assets of the Corporation and its subsidiaries, taken as a whole, to a third party purchaser (or group of affiliated third party purchasers), (ii) the consummation of any transaction (including, without limitation, any merger or consolidation or whether by operation of law or otherwise), the result of which is that a third party purchaser (or group of affiliated third party purchasers) becomes the beneficial owner, directly or indirectly, of more than fifty percent (50%) of the then outstanding Shares or of the surviving entity of any such merger or consolidation, (iii) any change of more than fifty percent (50%) of the individuals who comprise the Board relative to the composition of the Board as of the date hereof or (iv) the commencement of, or filing for, any bankruptcy, insolvency proceeding or assignment for the benefit of creditors, or the appointment of any receiver, trustee or liquidator, whether voluntary or involuntary, in each case with respect to the Corporation.

"***Controlled Affiliate***" means any corporation, limited liability company, partnership, joint venture, trust or other Enterprise, whether or not for profit, that is, directly or indirectly, controlled by the Corporation. For purposes of this definition, the term "control" means the possession, directly or indirectly, of the power to direct, or cause the direction of, the management or policies of an Enterprise, whether through the ownership of voting securities, through other voting rights, by contract or otherwise.

“***Corporate Status***” means the status of a person as a director, member or chairman of any committee or subcommittee, lead director and chairman of the Board of Directors (or a similar governing body of a subsidiary of the Corporation or Controlled Affiliate) of the Corporation or any of the Corporation’s direct or indirect subsidiaries or Controlled Affiliates, in each case subject to the following proviso, whether before or after the date hereof; provided that “Corporate Status” shall not include any status as chairman of the Board of Directors (or a similar governing body of a subsidiary of the Corporation or Controlled Affiliate other than a committee or subcommittee) prior to the date hereof. Notwithstanding anything in this Agreement to the contrary, for the purposes of this Agreement, the term “Corporate Status” shall not be deemed to include any other status a person may hold or may have held (other than such person’s status as set forth in the previous sentence) with the Corporation or any of the Corporation’s direct or indirect subsidiaries or Controlled Affiliates or otherwise, including, without limitation, a person’s status as chairman of the Board of Directors (or a similar governing body of a subsidiary of the Corporation or Controlled Affiliate other than a committee or subcommittee) of the Corporation prior to the date hereof, founder, manager (other than in a limited liability company), officer, employee, shareholder, lessor, lessee, agent, trustee or other unspecified fiduciary of or licensor to the Corporation or any of the Corporation’s direct or indirect subsidiaries or Controlled Affiliates or as a counterparty pursuant to any agreement or contract including, without limitation, any license, lease, sublease, founder, chairman or other contract or agreement.

“***Disinterested Director***” means a director of the Corporation who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

“***Enterprise***” means the Corporation, any subsidiary of the Corporation or any other corporation, partnership, limited liability company, joint venture, employee benefit plan, trust or other entity or other enterprise.

“***Enterprise Corporate Status***” means the status of a person as a director, member or chairman of any committee or subcommittee, lead director and chairman of the board of directors (or a similar governing body) of any Enterprise or any of the Enterprise’s direct or indirect subsidiaries or controlled affiliates, in each case subject to the following proviso, whether before or after the date hereof; provided that “Enterprise Corporate Status” shall not include any status as chairman of the board of directors (or a similar governing body other than a committee or subcommittee) prior to the date hereof. Notwithstanding anything in this Agreement to the contrary, for the purposes of this Agreement, the term “Enterprise Corporate Status” shall not be deemed to include any other status a person may hold or may have held (other than such person’s status as set forth in the previous sentence) with an Enterprise or any of the Enterprise’s direct or indirect subsidiaries or controlled affiliates or otherwise, including, without limitation, a person’s status as chairman of the board of directors (or a similar governing body other than a committee or subcommittee) prior to the date hereof, founder, manager (other than in a limited liability company), officer, employee, shareholder, lessor, lessee, agent, trustee or other unspecified fiduciary of or licensor to the Enterprise or any of the Enterprise’s direct or indirect subsidiaries or controlled affiliates or as a counterparty pursuant to any agreement or contract including, without limitation, any license, lease, sublease, founder, chairman or other contract or agreement.

“***Exchange Act***” means the Securities Exchange Act of 1934, as amended, or any successor statute thereto, and the rules and regulations of the United States Securities and Exchange Commission promulgated thereunder.

“***Existing Agreement***” means any agreement primarily in respect of indemnification or reimbursement of expenses between Indemnitee and the Corporation existing prior to the date hereof. For the avoidance of doubt, “Existing Agreement” does not include any Constituent Documents or D&O Insurance.

“***Expenses***” means any and all fees, expenses, and disbursements, including any and all attorney’s fees, disbursements and retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, arbitrator’s and mediator’s fees and expenses, duplicating costs, printing and binding costs, court costs, discovery fees and costs awards, including sanctions, filing fees, transcript costs, travel expenses, computer legal research costs telephone charges, postage, fax transmission charges, secretarial services, delivery service fees and all other fees, expenses or disbursements, paid or incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding or in connection with seeking indemnification or other rights under this Agreement. Expenses will also include (a) Expenses paid or incurred in connection with any appeal resulting from any Proceeding, including, without limitation, the premium, security for and other costs relating to any cost bond, supersedeas bond or other appeal bond or its equivalent, (b) Expenses incurred by Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee’s rights under this Agreement by Proceeding or otherwise and (c) all Expenses incurred by Indemnitee in connection with Article 5. Expenses, however, will not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

“***Independent Counsel***” means an attorney or firm of attorneys that is experienced in matters of corporation law and neither currently is, nor in the past five (5) years has been, retained to represent: (a) the Corporation, any subsidiary of the Corporation, or Indemnitee in any matter material to any such party (other than with respect to matters concerning the Indemnitee under this Agreement and/or the indemnification provisions of the Constituent Documents, or of other indemnitees under similar indemnification agreements) or (b) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” does not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing the Corporation, any subsidiary of the Corporation, or Indemnitee in an action to determine Indemnitee’s rights under this Agreement.

“***Losses***” means any and all (a) losses, liabilities, judgments, pre-judgment and post-judgment interest, damages, any amounts paid or payable in settlement, fines (including excise taxes and penalties assessed with respect to employee benefit plans and ERISA excise taxes), penalties (in each case, whether civil, criminal or otherwise), and Expenses, (b) interest, assessments, federal, state, local, or foreign taxes imposed as a result of the actual or deemed receipt thereof or hereunder, (c) other charges paid or payable in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, by a witness or participate in, any Proceeding and (d) other charges paid or payable in connection with or in respect of any of the foregoing.

“***Other Indemnitors***” means (a) any employer of Indemnitee; (b) any Enterprise in which an Indemnitee is a partner, member or equity holder; (c) any Enterprise for whom Indemnitee is serving in a Corporate Status at the request of such Enterprise; (d) any other source of indemnification to or any Person required to provide indemnification for the benefit of the Indemnitee; (e) any affiliate of any Person described in the foregoing clauses (a), (b), (c) or (d); and (f) any insurer of any Person described in the foregoing clauses (a), (b), (c), (d) or (e), in each such case, to the extent Indemnitee has rights to indemnification and/or insurance provided by such Enterprise, insurer or other Person in connection with his or her Corporate Status.

"***Person***" means any individual, corporation, firm, partnership, joint venture, limited liability company, estate, trust, business association, organization, governmental entity or other entity and includes the meaning set forth in Sections 13(d) and 14(d) of the Exchange Act.

"***Proceeding***" means (i) any threatened, pending or completed action, suit, claim, demand, arbitration, alternate dispute resolution mechanism, request to toll the statute of limitations, investigation, inquiry, hearing or any other actual, threatened or completed proceeding, including any and all appeals, in each case, whether brought by or in the right of the Corporation (or any of its direct or indirect subsidiaries) or otherwise, whether civil, criminal, administrative, regulatory, arbitrative or investigative, whether formal or informal, whether made pursuant to federal, state, local, or foreign law or otherwise, and whether or not commenced prior to the date of this Agreement, or (ii) any inquiry, hearing or investigation that Indemnitee determines might reasonably lead to the institution of any such action, suit, proceeding or alternative dispute resolutions mechanism. For purposes of this definition, the term "threatened" will be deemed to include Indemnitee's good faith belief that a claim or other assertion might lead to institution of a Proceeding.

References to "***serving at the request of the Corporation***" include any service in a Corporate Status which imposes duties on, or involves services by, such person with respect to any employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in and not opposed to the best interests of the participants and beneficiaries of an employee benefit plan will be deemed to have acted in a manner "***not opposed to the best interests of the Corporation***" as referred to under applicable law or in this Agreement.

ARTICLE 2
INDEMNIFICATION

2.1 Corporation Indemnification. Subject to Section 2.4 and Article 5, the Corporation hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent permitted by law, as such may be amended from time to time to increase the scope of such permitted indemnification, against any and all Losses and Expenses if Indemnitee was or is or becomes a party to or participant in, or is threatened to be made a party to or participant in, any Applicable Proceeding. For purposes of this Agreement, the meaning of the phrase "***to the fullest extent permitted by law***" will include to the fullest extent permitted by the General Corporation Law of the State of Delaware (as amended from time to time, the "***DGCL***") or any statute that replaces or succeeds the relevant sections of the DGCL with respect to such matters. In the event of any change in the DGCL or any other applicable law, statute or rule which narrows the right of a Delaware corporation to indemnify a person serving in an Enterprise Corporate Status, such change, to the extent not otherwise prohibited by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

(a) Proceedings Other Than Proceedings by or in the Right of the Corporation. Except as otherwise provided in this Article 2 (including pursuant to Section 2.4), Indemnitee shall be entitled to the rights of indemnification provided in this Section 2.1 if, the Indemnitee is, or is threatened to be made, a party to or participant in any Applicable Proceeding other than an Applicable Proceeding by or in the right of the Corporation (which covered by Section 2.1(b). Pursuant to this Section 2.1(a), but subject to Section 2.4, Indemnitee shall be indemnified to the fullest extent permitted by law against all Losses and Expenses, and any and all federal, state, local or foreign taxes imposed as a result of the actual or deemed receipt of any payments under this Agreement, that are actually and reasonably paid or incurred by him, or on his behalf, in connection with such Applicable Proceeding.

(b) Proceedings by or in the Right of the Corporation. Except as otherwise provided in this Article 2 (including pursuant to Section 2.4), Indemnitee shall be entitled to the rights of indemnification provided in this Section 2.1 if, the Indemnitee is, or is threatened to be made, a party to or participant in any Applicable Proceeding brought by or in the right of the Corporation. Pursuant to this Section 2.1(b), but subject to Section 2.4, Indemnitee shall be indemnified to the fullest extent permitted by law against all Losses and Expenses, and any and all federal, state, local or foreign taxes imposed as a result of the actual or deemed receipt of any payments under this Agreement, that are actually and reasonably paid or incurred by him or her, or on his or her behalf, in connection with such Applicable Proceeding.

(c) Additional Indemnity. In addition to, and without regard to any limitations on, the indemnification otherwise provided for in this Section 2.1, but subject to Section 2.4 and Article 5, the Corporation shall and hereby does indemnify and hold harmless Indemnitee to the fullest extent permitted by law against all Expenses and Losses, and any and all federal, state, local or foreign taxes imposed as a result of the actual or deemed receipt of any payments under this Agreement actually and reasonably paid or incurred by him or on his behalf if, he is, or is threatened to be made, a party to or participant in any Applicable Proceeding (including an Applicable Proceeding by or in the right of the Corporation). Subject to Section 2.4, the only limitation that shall exist upon the Corporation's obligations pursuant to this Agreement shall be that the Corporation shall not be obligated to make any payment to Indemnitee that is finally determined (under the procedures, and subject to the presumptions, set forth in Articles 5 and Section 7.2 hereof) to be unlawful. For the avoidance of doubt, the indemnification rights and obligations contained herein shall also extend to any Applicable Proceeding in which the Indemnitee was or is a party to, was or is threatened to be made a party to or was or is otherwise involved in any capacity in by reason of Indemnitee's Corporate Status as a fiduciary with respect to an employee benefit plan. In connection therewith, if the Indemnitee has acted in good faith and in a manner which appeared to be consistent with the best interests of the participants and beneficiaries of an employee benefit plan and not opposed thereto, the Indemnitee shall be deemed to have acted in a manner not opposed to the best interests of the Corporation.

2.2 Mandatory Indemnification if Indemnitee is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement (other than Section 5.9), but subject to Section 2.4, to the extent that Indemnitee has been successful, on the merits or otherwise, in defense of any Applicable Proceeding or any part thereof, the Corporation will indemnify Indemnitee to the fullest extent permitted by law against all Losses and Expenses that are actually and reasonably paid or incurred by Indemnitee in connection therewith. If Indemnitee is not wholly successful in such Applicable Proceeding, but is successful, on the merits or otherwise, as to one or more but fewer than all claims, issues or matters in such Applicable Proceeding, the Corporation will indemnify and hold harmless Indemnitee against all Expenses paid or incurred by Indemnitee in connection with each successfully resolved claim, issue or matter on which Indemnitee was successful. For purposes of this Section 2.2, the termination of any Applicable Proceeding, or any claim, issue or matter in such Applicable Proceeding, by dismissal with or without prejudice will be deemed to be a successful result as to such Applicable Proceeding, claim, issue or matter.

2.3 Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his or her Corporate Status, a witness in any Proceeding to which Indemnitee is not a party, the Corporation will indemnify Indemnitee to the fullest extent permitted by law against all Losses and Expenses actually and reasonably paid or incurred by Indemnitee on his or her behalf in connection therewith.

2.4 Exclusions. Notwithstanding any other provision of this Agreement, the Corporation will not be obligated under this Agreement to provide indemnification in connection with the following:

(a) Any Proceeding (or part of any Proceeding) initiated or brought voluntarily by Indemnitee against the Corporation or its directors, officers, employees or other indemnities, unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation, (ii) the Corporation provides the indemnification, in its sole discretion, pursuant to the powers vested in the Corporation under applicable law, (iii) the Proceeding was initiated to establish or enforce a right to indemnification or advancement of expenses under this Agreement, any other agreement or insurance policy (other than an Existing Agreement), under the Constituent Documents or under any statutory authority, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification or advancement of expenses, or recovery from the Corporation's D&O Insurance, as the case may be, or (iv) such payment arises in connection with any mandatory counterclaim or cross claim brought or raised by Indemnitee in any Proceeding (or any part of any Proceeding); *provided*, *however*, that nothing in this Section 2.4(a) shall limit the right of Indemnitee to be indemnified under Section 7.4.

(b) In respect of any claim, issue or matter if a final decision by a court of competent jurisdiction determines that such indemnification is prohibited by applicable law.

(c) For an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Corporation within the meaning of Section 16(b) of the Exchange Act or any similar successor statute.

ARTICLE 3
ADVANCEMENT OF EXPENSES

3.1 Expense Advances. Except in the circumstances set forth in Section 2.4 and subject to Article 5, the Corporation will, if requested by Indemnitee, advance, to the fullest extent permitted by law, to Indemnitee (hereinafter an "***Expense Advance***") any and all Expenses actually and reasonably paid or incurred (even if unpaid) by or on behalf of Indemnitee in connection with any Applicable Proceeding (whether prior to or after its final disposition). Indemnitee's right to each Expense Advance will not be subject to the satisfaction of any standard of conduct and will be made without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement, or under provisions of the Constituent Documents or otherwise. Each Expense Advance will be unsecured and interest free and will be made by the Corporation without regard to Indemnitee's ability to repay the Expense Advance. An Expense eligible for an Expense Advance will include any and all reasonable Expenses incurred pursuing an action to enforce the right of advancement provided for in this Article 3, including Expenses incurred preparing and forwarding statements to the Corporation to support the Expense Advances claimed. Execution and delivery to the Corporation of this Agreement by Indemnitee constitutes an undertaking by the Indemnitee to repay any amounts paid, advanced or reimbursed by the Corporation pursuant to this Section 3 in respect of Expenses relating to, arising out of or resulting from any Proceeding in respect of which it shall be determined, pursuant to Article 7, following the final disposition of such Proceeding, that Indemnitee is not entitled to indemnification hereunder. No other form of undertaking shall be required other than the execution of this Agreement.

3.2 Timing. Without limiting the generality or effect of the foregoing and except in the circumstances set forth in Section 2.4, within five (5) business days after any request by Indemnitee, the Corporation shall, in accordance with such request, (a) pay such Expenses payable in accordance with this Article 3 on behalf of Indemnitee, (b) advance to Indemnitee funds in an amount sufficient to pay such Expenses payable in accordance with this Article 3, or (c) reimburse Indemnitee for such Expenses payable in accordance with this Article 3. In connection with any request for an Expense Advance, Indemnitee shall not be required to provide any documentation or information to the extent that the provision thereof would undermine or otherwise jeopardize attorney-client privilege.

ARTICLE 4
CONTRIBUTION IN THE EVENT OF JOINT LIABILITY

4.1 Contribution by Corporation.

(a) Whether or not the indemnification or Expense Advance provided in Articles 2 or 3, respectively, is available (other than when not available as a result of the circumstances set forth in Section 2.4), in respect of any Applicable Proceeding in which the Corporation is jointly liable with Indemnitee (or would be if joined in such Proceeding), the Corporation shall, to the fullest extent permitted by law, settle and/or pay, in the first instance, the entire amount of any Expenses or Losses of such Applicable Proceeding (including whether payment is sought by the judgment creditor, or his, her or its successor or assigns, to be collected against the Corporation or the Indemnitee alone, or together) without requiring Indemnitee to contribute to such settlement or payment and the Corporation hereby waives and relinquishes any right of contribution it may have against Indemnitee. The Corporation shall not enter into any settlement of any Applicable Proceeding in which the Corporation is jointly liable with Indemnitee (or would be if joined in such Proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

(b) Without diminishing or impairing the obligations of the Corporation set forth in the preceding Section 4.1(a), if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any judgment or settlement in any threatened, pending or completed Applicable Proceeding in which the Corporation is jointly liable with Indemnitee (or would be if joined in such Proceeding), except in the circumstances set forth in Section 2.4, the Corporation shall, to the fullest extent permitted by law, pay to Indemnitee the entire amount of any judgment or settlement of such Applicable Proceeding without requiring Indemnitee to contribute to such payment and the Corporation hereby waives and relinquishes any right of contribution it may have against Indemnitee. Indemnitee shall not enter into any settlement of any Applicable Proceeding in which the Corporation is jointly liable with Indemnitee (or would be if joined in such Proceeding) unless such settlement provides for a full and final release of all claims asserted against the Corporation.

(c) To the fullest extent permitted by law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever (including due to an election by Indemnitee), except in the circumstances set forth in Section 2.4, the Corporation, in lieu of indemnifying Indemnitee, will contribute to the amount of Expenses and Losses incurred or paid by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any Applicable Proceeding in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Applicable Proceeding in order to reflect (i) the relative benefits received by the Corporation (and its officers, directors, employees and agents) and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Applicable Proceeding and/or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, both the relative benefits referred to in clause (i) and the relative fault of the Corporation (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s). In connection with the registration of the Corporation's securities, the relative benefits received by the Corporation and Indemnitee shall be deemed to be in the same respective proportions that the net proceeds from the offering (before deducting expenses) received by the Corporation and Indemnitee, in each case as set forth in the table on the cover page of the applicable prospectus, bear to the aggregate public offering price of the securities so offered. The relative fault of the Corporation and Indemnitee shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the

Corporation or Indemnitee and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Corporation and Indemnitee agree that it would not be just and equitable if contribution pursuant to this Section 4.1 were determined by pro rata or per capita allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. In connection with the registration of the Corporation's securities, in no event shall Indemnitee be required to contribute any amount under this Section 4.1 in excess of the lesser of (i) that proportion of the total of such losses, claims, damages or liabilities indemnified against equal to the proportion of the total securities sold under such registration statement which is being sold by Indemnitee or (ii) the proceeds received by Indemnitee from its sale of securities under such registration statement. No person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act of 1933, as amended) shall be entitled to contribution from any person who was not found guilty of such fraudulent misrepresentation.

4.2 Indemnification for Contribution Claims by Others. Except in the circumstances set forth in Section 2.4, to the fullest extent permitted by law, the Corporation will fully indemnify and hold Indemnitee harmless from any claims of contribution which may be brought by other officers, directors or employees of the Corporation who may be jointly liable with Indemnitee for any Loss or Expense arising from an Applicable Proceeding.

4.3 Partial Indemnity. Except in the circumstances set forth in Section 2.4, if Indemnitee is entitled under any provision of this Agreement to indemnification by the Corporation for a portion of any Losses in respect of an Applicable Proceeding but not for the total amount thereof, the Corporation shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

ARTICLE 5
PROCEDURES AND PRESUMPTIONS FOR THE DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION

5.1 Notification of Claims; Request for Indemnification. Indemnitee agrees to notify promptly the Corporation in writing, which may include via electronic means, of any claim made against Indemnitee for which indemnification or Expense Advance will or could be sought under this Agreement, which shall include a description of the nature of the Applicable Proceeding and the facts underlying the Applicable Proceeding, in each case, to the extent available; *provided*, *however*, that a delay in giving such notice will not deprive Indemnitee of any right to be indemnified under this Agreement unless, and then only to the extent that, the Corporation did not otherwise learn of the Applicable Proceeding and such delay is materially prejudicial to the Corporation's ability to defend such Applicable Proceeding; and, *provided*, *further, however*, that notice will be deemed to have been given without any action on the part of Indemnitee in the event the Corporation is a party to the same Applicable Proceeding. The omission to notify the Corporation will not relieve the Corporation from any liability which it may have to Indemnitee otherwise than under this Agreement. Indemnitee may deliver to the Corporation a written request to have the Corporation indemnify and hold harmless Indemnitee in accordance with this Agreement. Subject to Section 5.9, such request may be delivered from time to time and at such time(s) as Indemnitee deems appropriate in his or her sole discretion. Following such a written request for indemnification, Indemnitee's entitlement to indemnification shall be determined according to Section 5.2. The Secretary of the Corporation will, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification. The Corporation will be entitled to participate in any Applicable Proceeding at its own expense. If at the time of the receipt of such notice, the Corporation has D&O Insurance or any other insurance in effect under which coverage for Applicable Proceedings is potentially available, the Corporation shall give prompt written notice to the applicable insurers in accordance with the procedures, provisions, and terms set forth in the applicable policies. The Corporation shall provide to Indemnitee a copy of such notice delivered to the applicable insurers, and copies of all subsequent correspondence between the Corporation and such insurers regarding such Applicable Proceeding, in each case substantially concurrently with the delivery or receipt thereof by the Corporation. The Corporation shall keep Indemnitee substantially concurrently advised of all communications, regardless of method, with such insurers. Indemnification shall be made insofar as the Corporation determines Indemnitee is entitled to indemnification in accordance with Section 5.2 below.

5.2 Determination of Right to Indemnification. Upon written request by Indemnitee for indemnification pursuant to Section 5.1 with respect to any Applicable Proceeding, a determination with respect to Indemnitee's entitlement thereto will be made by one of the following, at the election of Indemnitee: (a) so long as there are Disinterested Directors with respect to such Applicable Proceeding, a majority vote of the Disinterested Directors, even if less than a quorum of the Board, (b) so long as there are Disinterested Directors with respect to such Applicable Proceeding, a committee of such Disinterested Directors designated by a majority vote of such Disinterested Directors, even though less than a quorum of the Board or (c) Independent Counsel in a writing delivered to the Board, a copy of which will also be delivered to Indemnitee. The election by Indemnitee to use a particular person, persons or Enterprise to make such determination is to be included in the written request for indemnification submitted by Indemnitee (and if no election is made in the request it will be assumed that Indemnitee has elected the Independent Counsel to make such determination). The person, persons or Enterprise chosen to make a determination under this Agreement of the Indemnitee's entitlement to indemnification will act reasonably and in good faith in making such determination.

5.3 Selection of Independent Counsel. If the determination of entitlement to indemnification pursuant to Section 5.2 will be made by an Independent Counsel, the Independent Counsel will be selected as provided in this Section 5.3. The Independent Counsel will be selected by the Board within the later of fifteen (15) days of receipt from the Indemnitee of a written request for indemnification pursuant to Section 5.1 and the final disposition of the Applicable Proceeding. The Corporation will give written notice to Indemnitee advising him or her of the identity of the Independent Counsel so selected. The Indemnitee may, within ten (10) days after such written notice of selection is given, deliver to the Corporation a written objection, which may be made via electronic means, to such selection; *provided*, *however*, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in this Agreement, and the objection will set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected will act as Independent Counsel. If a written objection is made and substantiated, the Independent Counsel selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within thirty (30) days after the later of the submission by Indemnitee of a written request for indemnification pursuant to Section 5.1 and the final disposition of the Applicable Proceeding, no Independent Counsel is selected, or an Independent Counsel for which an objection thereto has been properly made remains unresolved, either the Corporation or Indemnitee may petition the Court of Chancery of the State of Delaware or other court of competent jurisdiction for resolution of any objection that has been made by Indemnitee to the Corporation's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court may designate, and the person with respect to whom all objections are so resolved or the person so appointed will act as Independent Counsel under Section 5.2. Except in the circumstances set forth in Section 2.4, the Corporation will pay any and all fees and expenses incurred by such Independent Counsel in connection with acting pursuant to Section 5.2, and the Corporation will pay all fees and expenses incident to the procedures of this Section 5.3, regardless of the manner in which such Independent Counsel was selected or appointed.

5.4 Burden of Proof. In making a determination with respect to entitlement to indemnification hereunder, the person, persons or entity making such determination will, to the fullest extent not prohibited by law, presume that Indemnitee is entitled to indemnification under this Agreement, except in the circumstances set forth in Section 2.4. Anyone seeking to overcome this presumption will, to the fullest extent not prohibited by law, have the burden of proof and the burden of persuasion, by clear and convincing evidence. In making a determination with respect to entitlement to indemnification hereunder which under this Agreement, the Constituent Documents, the D&O Insurance or applicable law requires a determination of Indemnitee's good faith and/or whether Indemnitee acted in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation and/or with respect to any criminal Proceeding, whether Indemnitee had reasonable cause to believe his or her conduct was unlawful, the person, persons or Enterprise making such determination will, to the fullest extent not prohibited by law, presume that Indemnitee has at all times acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal Proceeding, he or she had no reasonable cause to believe his or her conduct was unlawful. Anyone seeking to overcome this presumption will, to the fullest extent not prohibited by law, have the burden of proof and the burden of persuasion, by clear and convincing evidence. Indemnitee will be deemed to have acted in good faith if Indemnitee's action with respect to the Corporation or a particular Enterprise (that Indemnitee is or was serving in an Enterprise Corporate Status at the request of the Corporation) is based on the records or books of account of the Corporation or such other Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Corporation or such other Enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or such other Enterprise or on information or records given or reports made to the Corporation or such other Enterprise by an independent certified public accountant or by an appraiser or other expert selected by the Corporation or such other Enterprise; *provided*, *however*, that this sentence will not be deemed to limit in any way the other circumstances in which Indemnitee may be deemed to have met such standard of conduct. In addition, the knowledge and/or actions, or failure to act, of any other director, manager, officer, agent or employee of the Corporation or such other Enterprise will not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

5.5 No Presumption in Absence of a Determination or As Result of an Adverse Determination; Presumption Regarding Success. Neither the failure of any person, persons or Enterprise chosen to make a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief to make such determination, nor an actual determination by such person, persons or Enterprise that Indemnitee has not met such standard of conduct or did not have such belief, prior to or after the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under this Agreement under applicable law, will be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief. In addition, the termination of any Applicable Proceeding by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of *nolo contendere*, or its equivalent, will not create a presumption that Indemnitee did not meet any particular standard of conduct and with respect to any criminal Applicable Proceeding, that Indemnitee had reasonable cause to believe that his or her conduct was unlawful, or that Indemnitee had any particular belief or that a court has determined that indemnification is not permitted by this Agreement or applicable law. In the event that any Applicable Proceeding to which Indemnitee is a party is resolved in any manner other than by final adverse judgment (as to which all rights of appeal therefrom have been exhausted or lapsed) against Indemnitee (including, without limitation, settlement of such Applicable Proceeding with or without payment of money or other consideration) it will be presumed that Indemnitee has been successful on the merits or otherwise in such Applicable Proceeding.

5.6 Timing of Determination. The Corporation will use its reasonable best efforts to cause any determination required to be made pursuant to Section 5.2 to be made as promptly as practicable after Indemnitee has submitted a written request for indemnification pursuant to Section 5.1 and prior to the final disposition of the Applicable Proceeding. If the person, persons or Enterprise chosen to make a determination does not make such determination within fifteen (15) days after the later of the date (a) the Corporation receives Indemnitee's request for indemnification pursuant to Section 5.1, (b) the final disposition of the Applicable Proceeding and (c) on which an Independent Counsel is selected pursuant to Section 5.3, if applicable (and all objections to such person, if any, have been resolved), the requisite determination of entitlement to indemnification will be deemed to have been made and Indemnitee will be entitled to such indemnification, so long as (i) Indemnitee has fulfilled his or her obligations pursuant to Section 5.8 and (ii) such indemnification is not prohibited under applicable law; *provided*, *however*, that such fifteen (15) day period may be extended for a reasonable time, not to exceed an additional ten (10) days, if the person, persons or Enterprise making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining of or evaluating of documentation and/or information relating thereto. Notwithstanding anything herein to the contrary, no determination as to entitlement of Indemnitee to indemnification under this Agreement shall be required to be made prior to the final disposition of the Applicable Proceeding.

5.7 Timing of Payments. All payments of Expenses, including any Expense Advance, and other amounts by the Corporation to the Indemnitee pursuant to this Agreement will be made as soon as practicable after a written request or demand therefor by Indemnitee is presented to the Corporation, but in no event later than fifteen (15) business days after (a) such demand is presented or (b) such later date as a determination of entitlement to indemnification is made in accordance with Section 5.6, if applicable; *provided*, *however*, that an Expense Advance will be made within the time provided in Section 3.3.

5.8 Cooperation. Indemnitee will cooperate with the person, persons or Enterprise making a determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or Enterprise, upon reasonable advance request, any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Expenses incurred by Indemnitee in so cooperating with the person, persons or Enterprise making such determination will be borne by the Corporation (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Corporation will indemnify Indemnitee therefor and will hold Indemnitee harmless from any Losses arising therefrom.

5.9 Time for Submission of Request. Indemnitee will be required to submit any request for Indemnification pursuant to this Article 5 within a reasonable time, not to exceed two (2) years, after any judgment, order, settlement, dismissal, arbitration award, conviction, acceptance of a plea of *nolo contendere* (or its equivalent) or other full or partial final determination or disposition of the Applicable Proceeding (with the latest date of the occurrence of any such event to be considered the commencement of the two (2) year period).

ARTICLE 6
LIABILITY INSURANCE

6.1 Corporation Insurance. Subject to Section 6.3, the Corporation will obtain and maintain D&O Insurance with one or more reputable insurance companies providing Indemnitee with coverage in such amount as will be determined by the Board for Losses and Expenses paid or incurred by Indemnitee as a result of acts or omissions of Indemnitee in his or her Corporate Status, and to ensure the Corporation's performance of its indemnification obligations under this Agreement; *provided*, *however*, that in all policies of D&O Insurance obtained by the Corporation, Indemnitee will be named as an insured party in such manner as to provide Indemnitee with the same rights and benefits as are afforded to the most favorably insured directors of the Corporation under such policies; *provided, further,* for the duration of Indemnitee's service in a Corporate Status, and thereafter for so long as Indemnitee may be subject to any possible Applicable Proceeding, the Corporation shall use best efforts to continue to maintain in effect policies of D&O Insurance providing coverage that is at least substantially comparable in scope and amount to that provided by the Corporation's current policies of D&O Insurance. Any reductions to the amount of D&O Insurance coverage maintained by the Corporation as of the date hereof will be subject to the approval of the Board. Upon request, the Corporation will provide to Indemnitee copies of all D&O Insurance applications, binders, policies, declarations, endorsements and other related materials.

6.2 Notice to Insurers. If, at the time of receipt by the Corporation of a notice from any source of a Applicable Proceeding as to which Indemnitee is a party or participant, the Corporation will give prompt notice of such Applicable Proceeding to the insurers in accordance with the procedures set forth in the respective D&O Insurance, and the Corporation will provide Indemnitee with a copy of such notice and copies of all subsequent correspondence between the Corporation and such insurers related thereto. The Corporation will thereafter take all necessary or desirable actions to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such Applicable Proceeding in accordance with the terms of such D&O Insurance.

ARTICLE 7
REMEDIES OF INDEMNITEE

7.1 Action by Indemnitee. In the event that (a) a determination is made pursuant to Article 5 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (b) an Expense Advance is not timely made pursuant to Section 3.3 of this Agreement, (c) no determination of entitlement to indemnification is made within the applicable time periods specified in Section 5.6, (d) payment of indemnified amounts is not made within the applicable time periods specified in Section 5.7 or (e) the Corporation or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or Proceeding designed to deny, or to recover from, Indemnitee the benefits provided or intended to be provided to Indemnitee hereunder, Indemnitee will be entitled to an adjudication in an appropriate court of the State of Delaware, or in any other court of competent jurisdiction, of his or her entitlement to such indemnification or payment of an Expense Advance. Alternatively, Indemnitee, at Indemnitee's option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The provisions of Delaware law (without regard to its conflict of laws rules) will apply to any such arbitration. The Corporation will not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

7.2 *De Novo* Review if Prior Adverse Determination. Except in the circumstances set forth in Section 2.4 (a), in the event that a determination is made pursuant to Article 5 that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Article 7 will be conducted in all respects as a *de novo* trial or arbitration, as applicable, on the merits and Indemnitee will not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Article 7, Indemnitee will be presumed to be entitled to indemnification under this Agreement, the Corporation will have the burden of proving Indemnitee is not entitled to indemnification and the Corporation may not refer to or introduce evidence of any determination pursuant to Article 5 adverse to Indemnitee for any purpose. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Article 7, Indemnitee will not be required to reimburse the Corporation for any Expense Advance made pursuant to Article 3 until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed).

7.3 Corporation Bound by Favorable Determination by Reviewing Party. If a determination is made that Indemnitee is entitled to indemnification pursuant to Article 5, the Corporation will be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Article 7, absent (a) a misstatement by Indemnitee of a material fact or an omission of a material fact necessary to make Indemnitee's statements in connection with the request for indemnification not materially misleading or (b) a prohibition of such indemnification under law.

7.4 Corporation Bears Expenses if Indemnitee Seeks Adjudication. Notwithstanding anything to the contrary in this Agreement, in the event that (i) Indemnitee, pursuant to this Article 7 and except in the circumstances set forth in Section 2.4(a), seeks a Proceeding, judicial adjudication or arbitration of his or her rights under (or the interpretation thereof), or to recover damages for breach of, this Agreement, any other agreement for indemnification, the indemnification or advancement of expenses provisions in the Constituent Documents, payment of Expenses in advance or contribution hereunder or to recover under any director and officer liability insurance policies (including the D&O Insurance) maintained by the Corporation or (ii) the Corporation seeks a Proceeding against the Indemnitee seeking (1) to recover amounts previously advanced to Indemnitee, (2) to enforce the Corporation's rights under or to interpret the terms of this Agreement or (3) to recover damages for breach of this Agreement, the Corporation will, to the fullest extent permitted by law, indemnify and hold harmless Indemnitee against any and all Expenses which are paid or incurred by Indemnitee in connection with such judicial adjudication or arbitration, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, payment of Expenses in advance or contribution or insurance recovery. In addition, if requested by Indemnitee, the Corporation will (within five (5) days after receipt by the Corporation of the written request therefor), pay as an Expense Advance such Expenses, to the fullest extent permitted by law. Indemnitee shall be required to reimburse the Corporation for such Expense Advance in the event that a final judicial determination is made that any action brought by Indemnitee was frivolous or not made in good faith.

7.5 Corporation Bound by Provisions of this Agreement. The Corporation will be precluded from asserting in any judicial or arbitration proceeding commenced pursuant to this Article 7 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and will stipulate in any such judicial or arbitration proceeding that the Corporation is bound by all the provisions of this Agreement.

ARTICLE 8
NON-EXCLUSIVITY, SUBROGATION; NO DUPLICATIVE PAYMENTS

8.1 Non-Exclusivity. The rights of indemnification and to receive Expense Advances as provided by this Agreement will not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Constituent Documents, any D&O Insurance, any other agreement (other than any Existing Agreement), a vote of equityholders, a resolution of the directors or otherwise. To the extent Indemnitee otherwise would have any greater right to indemnification or payment of any advancement of Expenses under any other provisions under applicable law, the Constituent Documents, any insurance policy, including the D&O Insurance, any agreement (other than any Existing Agreement), vote of equityholders, a resolution of the directors or otherwise, except in the circumstances set forth in Section 2.4, Indemnitee will be entitled under this Agreement to such greater right. No amendment, alteration or repeal of this Agreement or of any provision hereof limits or restricts any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee prior to such amendment, alteration or repeal. To the extent that a change in the DGCL, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the Constituent Documents, the D&O Insurance and this Agreement, it is the intent of the parties hereto that Indemnitee enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy will be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, will not prevent the concurrent assertion or employment of any other right or remedy. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken while serving in an indemnified capacity even though he may have ceased to serve in such capacity at the time of any action or other covered Applicable Proceeding.

8.2 Subrogation. Except as provided in Section 8.3, in the event of any payment by the Corporation under this Agreement, the Corporation will be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee with respect thereto and Indemnitee will execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Corporation to bring suit to enforce such rights (it being understood that all of Indemnitee's reasonable Expenses related thereto will be borne by the Corporation).

8.3 No Duplicative Payments. The Corporation will not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or any Expense for which advancement is provided) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise, except as provided in this Section 8.3. The Corporation's obligation to indemnify or advance Expenses hereunder to Indemnitee in respect of Applicable Proceedings relating to Indemnitee's service at the request of the Corporation in an Enterprise Corporate Status of any other Enterprise will be reduced by any amount Indemnitee has actually received as indemnification or advancement of Expenses from such other Enterprise, except as provided in this Section 8.3. The Corporation hereby acknowledges that Indemnitee may have certain rights to indemnification, advancement of Expenses and/or insurance provided by Other Indemnitors. The Corporation hereby agrees, to the extent it is determined pursuant to the terms and conditions of this Agreement that the Corporation has an indemnification or Expense Advance obligation to Indemnitee for a particular matter, (a) that it is the indemnitor of first resort (*i.e.*, its obligations to Indemnitee are primary and any obligation of any Other Indemnitor to advance expenses or to provide indemnification for the same Expenses or liabilities incurred by Indemnitee are secondary), (b) that it shall be required to advance the full amount of Expenses incurred by Indemnitee and shall be liable for the full amount of all Losses to the extent legally permitted and as required by the terms of this Agreement, the D&O Insurance, the Constituent Documents (or any other agreement between the Corporation and Indemnitee (other than any Existing Agreement)), without regard to any rights Indemnitee may have against the Other Indemnitors and (c) that it irrevocably waives, relinquishes and releases the Other Indemnitors from any and all claims against the Other Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Corporation further agrees that no advancement or payment by the Other Indemnitors on behalf of Indemnitee with respect to any claim for which Indemnitee has sought indemnification from the Corporation shall affect the foregoing and the Other Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of Indemnitee against the Corporation. The Corporation and Indemnitee agree that the Other Indemnitors are express third party beneficiaries of the terms of this Section 8.3.

ARTICLE 9
DEFENSE OF PROCEEDINGS

9.1 Corporation Assuming the Defense. Subject to Section 9.3 below, in the event the Corporation is obligated pursuant to Article 3 to pay in advance the Expenses of any Applicable Proceeding, the Corporation will be entitled, by written notice to Indemnitee, to assume the defense of such Applicable Proceeding, with counsel approved by Indemnitee, which approval will not be unreasonably withheld. The Corporation will identify the counsel it proposes to employ in connection with such defense as part of the written notice sent to Indemnitee notifying Indemnitee of the Corporation's election to assume such defense, and Indemnitee will be required, within ten (10) days following Indemnitee's receipt of such notice, to inform the Corporation of its approval of such counsel or, if it has objections, the reasons therefor. If such objections cannot be resolved by the parties, the Corporation will identify alternative counsel, which counsel will also be subject to approval by Indemnitee in accordance with the procedure described in the prior sentence.

9.2 Right of Indemnitee to Employ Counsel. Following approval of counsel by Indemnitee pursuant to Section 9.1 and retention of such counsel by the Corporation, the Corporation will not be liable to Indemnitee under this Agreement for any fees and expenses of counsel subsequently incurred by Indemnitee with respect to the same Applicable Proceeding; *provided*, *however*, that (a) Indemnitee has the right to employ counsel in any such Applicable Proceeding at Indemnitee's expense and (b) the Corporation will be required to pay the fees and expenses of Indemnitee's counsel if (i) the employment of counsel by Indemnitee has been previously authorized by the Corporation, (ii) Indemnitee reasonably concludes that there is an actual or potential conflict between the Corporation (or any other person or persons included in a joint defense) and Indemnitee in the conduct of such defense or representation by such counsel retained by the Corporation or (iii) the Corporation does not continue to retain the counsel approved by Indemnitee.

9.3 Corporation Not Entitled to Assume Defense. Notwithstanding Section 9.1, the Corporation will not be entitled to assume the defense of any Applicable Proceeding brought by or on behalf of the Corporation or any Applicable Proceeding as to which Indemnitee has reasonably made the conclusion provided for in Section 9.2(b)(ii).

ARTICLE 10
SETTLEMENT

10.1 Corporation Bound by Provisions of this Agreement. Notwithstanding anything in this Agreement to the contrary, the Corporation will have no obligation to indemnify Indemnitee under this Agreement for any amounts paid in settlement of any Applicable Proceeding effected without the Corporation's prior written consent, which consent shall not be unreasonably withheld or delayed.

10.2 When Indemnitee's Prior Consent Required. The Corporation will not, without the prior written consent of Indemnitee, consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise in respect to an indemnifiable Applicable Proceeding hereunder which (a) includes an assignment of any claim or potential claim the Corporation may have against Indemnitee, any admission of fault of Indemnitee, any non-monetary remedy imposed on Indemnitee or a Loss for which Indemnitee is not wholly indemnified hereunder or (b) with respect to any Applicable Proceeding with respect to which Indemnitee may be or is made a party or a participant or may be or is otherwise entitled to seek indemnification hereunder, does not include, as an unconditional term thereof, the full release of Indemnitee from all liability in respect of such Proceeding, which release will be in form and substance reasonably satisfactory to Indemnitee. Notwithstanding anything to the contrary, neither the Corporation nor Indemnitee will unreasonably withhold its consent to any proposed settlement; *provided*, *however*, that Indemnitee may withhold consent to any settlement that does not provide a full and unconditional release of Indemnitee from all liability in respect of such Proceeding.

ARTICLE 11
DURATION OF AGREEMENT; OTHER ACTIVITIES

11.1 Duration of Agreement.

(a) This Agreement will continue until and terminate upon the latest of (a) the statute of limitations applicable to any claim that could be asserted against an Indemnitee with respect to which Indemnitee may be entitled to indemnification and/or an Expense Advance under this Agreement, (b) ten (10) years after the date that Indemnitee has ceased to serve as in a Corporate Status of the Corporation or its direct or indirect subsidiaries or in an Enterprise Corporate Status in any other Enterprise which Indemnitee served at the request of the Corporation or (c) if, at the later of the dates referred to in (a) and (b) above, there is pending Applicable Proceeding in respect of which Indemnitee is granted rights of indemnification or the right to an Expense Advance under this Agreement or a Proceeding commenced by Indemnitee pursuant to Article 7 of this Agreement, one (1) year after the final termination of such Applicable Proceeding, including any and all appeals. This Agreement and the indemnification and contribution provisions set forth herein are of a continuing nature and will remain in full force and effect regardless of any investigation made by or on behalf of Indemnitee or any officer, director, employee, agent or controlling person of Indemnitee.

(b) No legal action shall be brought and no cause of action shall be asserted by or in the right of the Corporation or any affiliate of the Corporation against Indemnitee, Indemnitee's estate, spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Corporation shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; *provided, however*, that if any shorter period of limitations is otherwise applicable to any such cause of actions, such shorter period shall govern.

ARTICLE 12
MISCELLANEOUS

12.1 Entire Agreement. This Agreement constitutes the entire agreement and understanding of the parties in respect of the subject matter hereof and supersedes all prior understandings, agreements or representations by or among the parties, written or oral, to the extent they relate in any way to the subject matter hereof; *provided, however*, that it is agreed that the provisions contained in this Agreement are a supplement to, and not a substitute for, any provisions regarding the same subject matter contained in the Constituent Documents, any D&O Insurance policy and any employment or similar agreement between the parties (other than any Existing Agreement). [This Agreement supersedes in all respects the Indemnification Agreement, dated as of [•], by and between the Indemnitee and the Corporation.][1]

12.2 Assignment; Binding Effect; Third Party Beneficiaries. No party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other party and any such assignment by a party without prior written approval of the other parties will be deemed void *ab initio* and not binding on such other parties. All of the terms, agreements, covenants, representations, warranties and conditions of this Agreement are binding upon, and inure to the benefit of and are enforceable by, the parties and their respective successors, permitted assigns, heirs, executors and personal and legal representatives. Except as set forth in Section 8.3, there are no third party beneficiaries having rights under or with respect to this Agreement. The Corporation shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Corporation, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform if no such succession had taken place. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve

[1] To be included for any director with an Existing Agreement.

in a Corporate Status, any of its direct or indirect subsidiaries or in an Enterprise Corporate Status in any other Enterprise at the Corporation's request.

12.3 Notices. All notices, requests and other communications provided for or permitted to be given under this Agreement must be in writing and be given by personal delivery, by certified or registered United States mail (postage prepaid, return receipt requested), by a nationally recognized overnight delivery service for next day delivery, by facsimile transmission or by electronic mail (with receipt acknowledged by the recipient other than by automatic means), as follows (or to such other address as any party may give in a notice given in accordance with the provisions hereof):

(a) If to the Indemnitee, to the address set forth on the signature page hereto.

(b) If to the Corporation, to:

Papa John's International, Inc.
2002 Papa Johns Boulevard
Louisville, Kentucky 40299

with a copy (which shall not constitute notice) to:

[____]
[____]
[____]
Facsimile: [____]
Attention: [____]
Email: [____]

All notices, requests or other communications will be effective and deemed given in accordance with this Section 12.3 and shall be deemed received as follows: (a) if given by personal delivery, upon such personal delivery, (b) if sent by certified or registered mail, on the fifth (5th) business day after being deposited in the United States mail, (c) if sent for next day delivery by overnight delivery service, on the date of delivery as confirmed by written confirmation of delivery, or (d) if sent by facsimile or electronic mail, upon confirmation of receipt of such facsimile transmission or electronic mail, except that if such confirmation is received after 5:00 p.m. (in the recipient's time zone) on a business day, or is received on a day that is not a business day, then such notice, request or communication will not be deemed effective or given until the next succeeding business day. Notices, requests and other communications sent in any other manner, including by electronic mail, will not be effective.

12.4 Specific Performance; Remedies. Each party acknowledges and agrees that the other party would be damaged irreparably if any provision of this Agreement were not performed in accordance with its specific terms or were otherwise breached. Accordingly, the parties will be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and its provisions in any action or proceeding instituted in any state or federal court sitting in the State of Delaware having jurisdiction over the parties and the matter, in addition to any other remedy to which they may be entitled, at law or in equity. Except as expressly provided herein, the rights, obligations and remedies created by this Agreement are cumulative and in addition to any other rights, obligations or remedies otherwise available at law or in equity. Except as expressly provided herein, nothing herein will be considered an election of remedies.

12.5 Submission to Jurisdiction. Any Proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement may be brought in any state or federal court sitting in the State of Delaware having jurisdiction over the parties and the matter, and each party consents to the non-exclusive jurisdiction and venue of such court (and of the appropriate appellate courts therefrom) in any such Proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such Proceeding in any such court or that any such Proceeding brought in any such court has been brought in an inconvenient forum. Process in any such action, suit or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court, and each party hereto hereby agrees that notice in accordance with Section 12.3 shall constitute effective service of process in any such Proceeding.

12.6 Headings. The article and section headings contained in this Agreement are inserted for convenience only and will not affect in any way the meaning or interpretation of this Agreement.

12.7 Governing Law. This Agreement and the legal relations among the parties hereto will be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any choice of law principles.

12.8 Amendment. This Agreement may not be amended or modified except by a writing signed by all of the parties.

12.9 Extensions; Waivers. Any party may, for itself only, (a) extend the time for the performance of any of the obligations of any other party under this Agreement, (b) waive any inaccuracies in the representations and warranties of any other party contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions for the benefit of such party contained herein. Any such extension or waiver will be valid only if set forth in a writing signed by the party to be bound thereby. No waiver by any party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, may be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising because of any prior or subsequent such occurrence. Neither the failure nor any delay on the part of any party to exercise any right or remedy under this Agreement will operate as a waiver thereof, nor will any single or partial exercise of any right or remedy preclude any other or further exercise of the same or of any other right or remedy.

12.10 Severability. The provisions of this Agreement will be deemed severable and the invalidity or unenforceability of any provision will not affect the validity or enforceability of the other provisions hereof; *provided, however*, that if any provision of this Agreement, as applied to any party or to any circumstance, is judicially determined not to be enforceable in accordance with its terms, the parties agree that the court judicially making such determination may modify the provision in a manner consistent with its objectives such that it is enforceable, and/or to delete specific words or phrases, and in its modified form, such provision will then be enforceable and will be enforced.

12.11 Counterparts; Effectiveness. This Agreement may be executed in two or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument. This Agreement will become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, which delivery may be made by exchange of copies of the signature page by facsimile, portable document format (.pdf), or other electronic transmission.

12.12 Construction. This Agreement has been freely and fairly negotiated among the parties. If an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties and no presumption or burden of proof will arise favoring or disfavoring any party because of the authorship of any provision of this Agreement. Any reference to any law will be deemed also to refer to such law as amended and all rules and regulations promulgated thereunder, unless the context requires otherwise. The words "include," "includes," and "including" will be deemed to be followed by "without limitation." Pronouns in masculine, feminine, and neuter genders will be construed to include any other gender, and words in the singular form will be construed to include the plural and vice versa, unless the context otherwise requires. The words "this Agreement," "herein," "hereof," "hereby," "hereunder," and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The parties intend that each representation, warranty, and covenant contained herein will have independent significance. If any party has breached any representation, warranty, or covenant contained herein in any respect, the fact that there exists another representation, warranty or covenant relating to the same subject matter (regardless of the relative levels of specificity) which the party has not breached will not detract from or mitigate the fact that the party is in breach of the first representation, warranty, or covenant. Time is of the essence in the performance of this Agreement.

12.13 **Enforcement**.

(a) The Corporation expressly confirms and agrees that it has entered into this Agreement and assumes the obligations imposed on it hereby in order to induce Indemnitee to serve in a Corporate Status, and the Corporation acknowledges that Indemnitee is relying upon this Agreement in serving in a Corporate Status.

(b) The Corporation shall not seek from a court, or agree to, a "bar order" which would have the effect of prohibiting or limiting the Indemnitee's rights to receive advancement of Expenses under this Agreement.

[*Signature pages follow*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

PAPA JOHN'S INTERNATIONAL, INC.

By: ____________________________
Name: __________________________
Title: ___________________________

INDEMNITEE

____
Signature

____
Print Name

Address: ______________________________

Indemnification Agreement Signature Page

Exhibit 10.11

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "*Agreement*") is entered into as of February 1, 2017 by and between PAPA JOHN'S INTERNATIONAL, INC., a Delaware corporation (the *Company*"), and Michael Nettles, a resident of St. Louis, Missouri (*Executive*").

RECITALS

A. The Executive has been offered the position of Chief Information and Digital Officer of the Company.

B. The Company desires to employ Executive, and Executive wishes to be employed as Chief Information and Digital Officer of the Company, to be governed by the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the respective agreements of the Company and Executive set forth below, the Company and Executive, intending to be legally bound, agree as follows:

1. *Effective Date.* The terms and conditions of Executive's employment hereunder shall become effective upon February 1, 2017 (the "*Effective Date*").

2. *Employment.* Subject to all the terms and conditions of this Agreement, Executive's period of employment under this Agreement shall be the period commencing on the Effective Date and ending on February 1, 2020 (the "*Third Anniversary Date*"), which term, unless otherwise agreed to by the parties, shall be extended on the Third Anniversary Date and on each anniversary of that date thereafter, for a period of one year (which term together with such extensions, if any, shall be hereinafter defined as the "*Term*"), unless the Executive's employment terminates earlier in accordance with Section 9 hereof. Either party may elect not to renew the Agreement by providing written notice to the other party at least sixty (60) days prior to the expiration of the Term. Thereafter, if Executive continues in the employ of the Company, the employment relationship shall continue to be at will, terminable by either Executive or the Company at any time and for any reason, with or without cause, and subject to such terms and conditions established by the Company from time to time.

3. *Position and Duties.*

(a) *Employment with the Company.* Executive shall be employed as the Chief Information and Digital Officer of the Company, and/or such other titles as the Company reasonably may designate, and shall perform such duties and responsibilities as the Company shall reasonably assign to Executive from time to time, including duties and responsibilities relating to the Company's wholly-owned and partially owned subsidiaries and other affiliates.

(b) *Performance of Duties and Responsibilities.* Executive shall serve the Company faithfully and to the best of Executive's ability and shall devote full working time, attention and efforts to the business of the Company during Executive's employment with the Company hereunder. While Executive is employed by the Company during the Term, Executive shall report to the Chief Operating Officer of the Company or to such other person as designated by the Chief Executive Officer, Chief

Operating Officer or the Board of Directors of the Company (the "*Board*"). Executive hereby represents and confirms that Executive is under no contractual or legal commitments that would prevent Executive from fulfilling Executive's duties and responsibilities as set forth in this Agreement. During Executive's employment with the Company, Executive shall not accept other employment or engage in other material business activity, except as may be approved in writing by the Board. Executive may participate in charitable activities and personal investment activities to a reasonable extent, and Executive may serve as a director of business organizations as approved by the Board, so long as such activities and directorships do not interfere with the performance of Executive's duties and responsibilities hereunder.

4. *Compensation.*

(a) *Base Salary.* As of the Effective Date, the Company shall pay to Executive an annual base salary at the rate of Three Hundred Fifty Thousand ($350,000) per year, less deductions and withholdings, which base salary shall be paid in accordance with the Company's normal payroll policies and procedures. Executive's base salary shall be reviewed on an annual basis by the Compensation Committee of the Board, at the same time and in the same manner as compensation is reviewed by the Compensation Committee for other officers of the Company generally, to determine whether it should be increased.

(b) *Incentive Bonus and Equity Awards.* Executive shall be entitled to participate in such incentive-based compensation plans or equity-based compensation plans of the Company and its affiliates in effect from time to time for executives of the Company, and as approved by and at the discretion of the Compensation Committee.

In the event of a termination of Executive's Employment by the Company other than for Cause (as defined below), and contingent upon Executive's execution of a full release of claims in the manner set forth in Section 10(g), all options and other equity awards, other than performance-based awards (which shall be governed by the terms of the applicable award agreement) granted under any stock option and stock incentive plans of the Company that are outstanding as of the date of termination shall be credited with an additional 6 months of Service (as defined in the Company's 2011 Omnibus Incentive Plan, referred to herein as the "Plan") for purposes of vesting in such award. Except as specifically set forth herein, all equity awards held by Executive shall continue to be governed by the applicable plan and award agreements, including with respect to Corporate Transactions (as defined in the Plan) and post-termination exercisability of awards.

(c) *Benefits.* Executive shall be entitled to participate in all employee benefit plans and programs of the Company that are available to executive officers generally to the extent that Executive meets the eligibility requirements for each individual plan or program. The Company provides no assurance as to the adoption or continuance of any particular employee benefit plan or program, and Executive's participation in any such plan or program shall be subject to the provisions, rules and regulations applicable thereto.

(d) *Expenses.* The Company shall reimburse Executive for all reasonable and necessary out-of-pocket business, travel and entertainment expenses incurred by Executive in the performance of Executive's duties and responsibilities hereunder, subject to the Company's normal policies and procedures for expenses, expense verification and documentation.

(e) *Vacations and Holidays*. Executive shall be entitled to such vacation and holiday benefits as provided to officers generally, as the Company establishes by policy from time to time. Executive shall coordinate Executive's vacation schedule with the Company so as not to impose an undue burden on the Company.

5. *Affiliated Entities.* As used in this Agreement, "*Company*" shall include the Company and each corporation, limited liability company, partnership, or other entity that is controlled by the Company, or is under common control with the Company (in each case "control" meaning the direct or indirect ownership of 50% or more of all outstanding equity interests), *provided*, *however*, that the Executive's title need not be identical for each of the affiliated entities nor the same as that for the Company.

6. *Confidential Information and Other Agreements.* Executive agrees to abide by the terms of any and all agreements and obligations to the Company regarding confidentiality, including but not limited to any offer letter, Code of Ethics provision, policy, or the Executive's December 30, 2016 Confidentiality, Non-Disparagement and Dispute Resolution Agreement, all the terms of which are reiterated and incorporated by reference herein, and any successor agreements of similar nature executed by Executive from time to time.

7. *Noncompetition Covenant*. Executive agrees to abide by the terms of Executive's December 30, 2016 Confidentiality and Non-Competition Agreement, which is reiterated and incorporated by reference herein, and any successor agreements of similar nature executed by Executive from time to time.

8. *Intellectual Property.*

(a) *Disclosure and Assignment.* As of the Effective Date, Executive hereby transfers and assigns to the Company (or its designee) all right, title, and interest of Executive in and to every idea, concept, invention, trade secret and improvement (whether patented, patentable or not) conceived or reduced to practice by Executive whether solely or in collaboration with others while Executive is employed by the Company, whether or not conceived or reduced to practice during the regular hours of Executive's employment (collectively, "Creations") and all copyrighted or copyrightable matter created by Executive whether solely or in collaboration with others Executive he is employed by the Company that relates to the Company's business (collectively, "*Works*") whether or not created during the regular hours of Executive's employment. Executive shall communicate promptly and disclose to the Company, in such form as the Company may request, all information, details, and data pertaining to each Work and Creation. Every copyrightable Work, regardless of whether copyright protection is sought or preserved by the Company, shall be a "work made for hire" as defined in 17 U.S.C. § 101, and the Company shall own all rights in and to such matter throughout the world, without the payment of any royalty or other consideration to Executive or anyone claiming through Executive.

(b) *Trademarks.* All right, title, and interest in and to any and all trademarks, trade names, service marks, and logos adopted, used, or considered for use by the Company during Executive's employment (whether or not developed by Executive) to identify the Company's business or other goods or services (collectively, the "*Marks*"), together with the goodwill appurtenant thereto, and all other materials, ideas, or other property conceived, created, developed, adopted, or improved by Executive solely or jointly during Executive's employment by the Company and relating to its business shall be owned exclusively by the Company. Executive shall not have, and will not claim to have, any right, title, or interest of any kind in or to the Marks or such other property.

(c) *Documentation.* Executive shall execute and deliver to the Company such formal transfers and assignments and such other documents as the Company may request to permit the Company (or its designee) to file and prosecute, defend and enforce such registration applications and other documents it deems useful to protect or enforce its rights hereunder.

9. *Termination of Employment.*

(a) Executive's employment with the Company shall terminate immediately upon:

(i) Executive's receipt of written notice from the Company of the termination of Executive's employment;

(ii) the Company's receipt of Executive's written or oral resignation from the Company;

(iii) Executive's Disability (as defined in the Plan); or

(iv) Executive's death.

(b) The date upon which Executive's termination of employment with the Company occurs shall be the "*Termination Date*."

10. *Payments upon Termination of Employment.*

(a) If Executive's employment with the Company is terminated by reason of:

(i) Executive's abandonment of Executive's employment or Executive's resignation for any reason (whether or not such resignation is set forth in writing or otherwise communicated to the Company);

(ii) termination of Executive's employment by the Company for Cause (as defined below); or

(iii) termination of Executive's employment by the Company without Cause following expiration of the Term;

the Company shall pay to Executive his or her then-current base salary through the Termination Date and any and all other benefits to which Executive may be entitled under any applicable Company policy, plan or procedure (without duplication of benefits).

(b) Except in the case of a Change in Control, which is governed by Section 10(c) below, if Executive's employment with the Company is terminated by the Company pursuant to Section 9(a)(i) effective prior to the expiration of the Term for any reason other than for Cause (as defined below), then the Company shall pay to Executive, subject to Section 10(g) of this Agreement and in addition to the consideration described in Section 4(b) above, the following amounts:

(i) Executive's then-current base salary through the Termination Date;

(ii) pro rata portions of any quarterly and annual non-equity bonus payouts under any non-equity incentive-based compensation plans then in effect (provided that any applicable performance measures are achieved); and

(iii) the amount of Executive's then current base salary that Executive would have received from the Termination Date through the date that is nine months following such Termination Date.

Any amount payable to Executive pursuant to Section 10(b)(iii) shall be subject to deductions and withholdings and shall be paid to Executive by the Company in the same periodic installments in accordance with the Company's regular payroll practices commencing on the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law. Any amount payable to Executive pursuant to Section 10(b)(ii) shall be subject to deductions and withholdings and shall be paid to Executive by the Company in the same manner and at the same time that incentive bonus payments are made to current employees of the Company, but no earlier than the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law and no later than March 15th of the year following the year in which the Termination Date occurs.

(c) If Executive's employment is terminated by the Company without Cause following a Change in Control as defined in this Agreement and before the end of the Term, or if the Executive's employment is terminated by the Executive for Good Reason following a Change in Control and before the end of the Term, then the Company shall pay to Executive, subject to Executive's compliance with Section 10(g) of this Agreement, the lesser of the total of Executive’s then current base salary and prorated non-equity incentive bonus payouts as referenced above through the end of the Term of the Agreement, or nine months of Executive’s current base salary.

(i) A "*Change of Control"* shall mean that a “Corporate Transaction” as defined in the Plan has taken place during the Term.

(ii) A termination by Executive for "Good Reason" shall mean a termination based on:

(A) the assignment to Executive of different job responsibilities that results in a substantial decrease in the level of responsibility from those in effect immediately prior to the Change of Control;

(B) a material reduction by the Company or the surviving company in Executive's base pay as in effect immediately prior to the Change of Control;

(C) a material reduction by the Company or the surviving company in total benefits available to Executive under cash incentive and other employee benefit plans after the Change of Control compared to the total package of such benefits as in effect prior to the Change of Control;

(D) the requirement by the Company or the surviving company that Executive be based more than 50 miles from where Executive's office is located immediately prior to the Change of Control, except for required travel on company business to an extent substantially consistent with the business travel obligations which Executive undertook on behalf of the Company prior to the Change of Control; or

(E) the failure by the Company to obtain from any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company ("*Successor*") the assent to this Agreement contemplated by Section 13(g) hereof.

(d) If Executive's employment with the Company is terminated effective prior to the expiration of the Term by reason of Executive's death or Disability, the Company shall pay to Executive or Executive’s beneficiary or estate, as the case may be, Executive’s then-current base salary through the Termination Date, any earned and unpaid quarterly non-equity incentive bonus for the fiscal quarter preceding the fiscal quarter in which the Termination Date occurs and a pro-rated portion of any quarterly and annual non-equity incentive bonus for the fiscal quarter in which the Termination Date occurs (provided that any applicable performance measures are achieved), based on the number of days during such fiscal quarter that Executive was employed by the Company, payable in the same manner and at the same time that Incentive Bonus payments are made to current employees of the Company but in no event no later than March 15th of the year following the calendar year in which the Termination Date occurs.

(e) "*Cause*" hereunder shall mean:

(i) gross negligence or willful misconduct in connection with the performance of duties;

(ii) conviction of a criminal offense (other than minor traffic offenses) that is, or may reasonably be expected to be, injurious to the Company, its business, reputation, prospects, or otherwise;

(iii) material breach of any term of any agreement between the Executive and the Company, including any employment, consulting or other services, confidentiality, intellectual property, non-competition or non-disparagement agreement;

(iv) acts or omissions involving willful or intentional malfeasance or misconduct that is, or may reasonably be expected to be, injurious to the Company, its business, reputation, prospects, or otherwise; or

(v) commission of any act of fraud or embezzlement against the Company.

(f) "*Disability*" hereunder shall have the same meaning as contained in the Company's Plan.

(g) Notwithstanding any other provision hereof, the Company shall not be obligated to make any payments under Section 10 of this Agreement or any accelerated vesting in equity under Section 4(b) of this Agreement unless Executive has signed a full release of claims against the Company, in a form and scope to be prescribed by the Company, all applicable consideration periods and rescission periods provided by law shall have expired, and Executive is in strict compliance with the terms of this Agreement and any other agreements between the Executive and the Company as of the dates of the payments. Within five business days of the Termination Date, the Employer shall deliver to the Executive the release for the Executive to execute. The Executive will forfeit all rights to accelerated vesting in equity pursuant to Section 4(b) and to the payments provided pursuant to Section 10(b)(ii) and (iii) unless the Executive executes and delivers to the Company the release within 30 days of delivery of the release by the Company to the Executive and such release has become irrevocable by virtue of the expiration of the revocation period without the release having been revoked (the first such date, the "Release Effective Date"). The Company shall have no obligation to provide the payments pursuant to Section 10(b)(ii) and (iii) or the acceleration of equity pursuant to Section 4(b) prior to the Release Effective Date. Payments will commence with the next regular payroll date that occurs more than three business days after the Release Effective Date, with any payment that would have been made but for the Release Effective Date not having occurred being made at that time, provided, however, that if the length of the five business day release delivery date, plus the 30 day or any other applicable review period, plus any revocation period, each as described above or in the release described above, begins in one taxable year and ends in the next taxable year, the Release Effective Date will not occur until the next taxable year.

(h) To the extent the Executive would be subject to the additional 20% tax imposed on certain deferred compensation arrangements pursuant to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") ("Section 409A"), as a result of any provision of this Agreement, such provision shall be deemed amended to the minimum extent necessary to avoid application of such tax and preserve to the maximum extent possible the original intent and economic benefit to the Executive and the Company, and the parties shall promptly execute any amendment reasonably necessary to implement this

Section 10(h).

(i) For purposes of Section 409A, the Executive's right to receive installment payments pursuant to this Agreement including, without limitation, each severance shall be treated as a right to receive a series of separate and distinct payments.

(ii) The Executive will be deemed to have a Termination Date for purposes of determining the timing of any payments or benefits hereunder that are classified as deferred compensation only upon a "separation from service" within the meaning of Section 409A.

(iii) Notwithstanding any other provision hereof, to the extent the Executive is a "specified employee" as defined in Section 409A of the Internal Revenue Code and the final regulations promulgated thereunder, and any portion of Executive's severance pay is not exempt from Section 409A of the Internal Revenue Code, but would otherwise be payable within the first six (6) months following the date of the Executive's date of termination, such severance pay will not be paid to the Executive until the first payroll date of the seventh (7th) month following the date of termination.

(iv) (A) Any amount that the Executive is entitled to be reimbursed under this Agreement will be reimbursed to the Executive as promptly as practical and in any event not later than the last day of the calendar year after the calendar year in which the expenses are incurred, (B) any right to reimbursement or in kind benefits will not be subject to liquidation or exchange for another benefit, and (C) the amount of the expenses eligible for reimbursement during any taxable year will not affect the amount of expenses eligible for reimbursement in any other taxable year.

(v) Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within thirty (30) days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company.

11. *Return of Property.* Upon termination of Executive's employment with the Company, Executive shall deliver promptly to the Company all records, files, manuals, books, forms, documents, letters, memoranda, data, customer lists, tables, photographs, video tapes, audio tapes, computer disks and other computer storage media, and copies thereof, that are the property of the Company, or that relate in any way to the business, products, services, personnel, customers, prospective customers, suppliers, practices, or techniques of the Company, and all other property of the Company (such as, for example, computers, cellular telephones, pagers, credit cards, and keys), whether or not containing Confidential Information, that are in Executive's possession or under Executive's control.

12. *Remedies.* Executive acknowledges that it would be difficult to fully compensate the Company for monetary damages resulting from any breach by Executive of the provisions of Sections 6, 7, 8, and 11 hereof. Accordingly, in the event of any actual or threatened breach of any such provisions, the Company shall, in addition to any other remedies it may have, be entitled to injunctive and other equitable relief to enforce such provisions, and such relief may be granted without the necessity of proving actual monetary damages. Any such action shall only be brought in a court of competent jurisdiction in the Commonwealth of Kentucky, and the parties consent to the jurisdiction, venue and convenience of such courts.

13. *Miscellaneous.*

(a) G*overning Law.* This Agreement shall be governed by, subject to, and construed in accordance with the laws of the Commonwealth of Kentucky without regard to conflict of law principles.

(b) *Dispute Resolution.* The parties agree that to the extent permitted by law, any dispute arising between Executive and Company, including whether any provision of this Agreement has been breached, shall be resolved through confidential mediation or confidential binding arbitration. Any such dispute shall initially be submitted for resolution to a neutral mediator, mutually selected by the parties. If such dispute is not resolved to the satisfaction of the parties, or the parties cannot agree upon a mediator, then it shall be submitted for resolution by a neutral arbitrator, to be mutually selected by the parties from a list provided by the American Arbitration Association, with such resolution to be made pursuant to that organization's then-current Employment (or other applicable) Arbitration Rules and Mediation Procedures. The parties agree that Company shall bear the costs of any mediation or arbitration arising under this Agreement, although each party shall be responsible for its own attorneys' fees. The parties agree to keep confidential both the fact that any mediation/arbitration has or will take place between them, all facts related thereto, and any resolution thereunder. Any resolution reached via mediation or award of an arbitrator shall be final and binding on the parties.

(c) *Entire Agreement.* This Agreement contains the entire agreement of the parties relating to Executive's employment with the Company and supersedes all prior agreements and understandings with respect to such subject matter, and the parties hereto have made no agreements, representations or warranties relating to the subject matter of this Agreement that are not set forth herein.

(d) *No Violation of Other Agreements.* Executive hereby represents and agrees that neither (i) Executive's entering into this Agreement, (ii) Executive's employment with the Company, nor (iii) Executive's carrying out the provisions of this Agreement, will violate any other agreement (oral, written or other) to which Executive is a party or by which Executive is bound.

(e) *Amendments.* No amendment or modification of this Agreement shall be deemed effective unless made in writing and signed by the parties hereto.

(f) *No Waiver.* No term or condition of this Agreement shall be deemed to have been waived, except by a statement in writing signed by the party against whom enforcement of the waiver is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

(g) *Assignment.* This Agreement shall not be assignable, in whole or in part, by either party without the prior written consent of the other party, except that the Company may, without the consent of Executive, assign its rights and obligations under this Agreement (i) to any entity with which the Company may merge or consolidate, or (ii) to any corporation or other person or business entity to which the Company may sell or transfer all or substantially all of its assets. Upon Executive's written request, the Company will seek to have any Successor by agreement assent to the fulfillment by the Company of its obligations under this Agreement. After any assignment by the Company pursuant to this Section 13(g), the Company shall be discharged from all further liability hereunder and such assignee shall thereafter be deemed to be the "Company" for purposes of all terms and conditions of this Agreement.

(h) C*ounterparts.* This Agreement may be executed in any number of counterparts, and such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

(i) *Severability.* To the extent that any portion of any provision of this Agreement shall be invalid or unenforceable, it shall be considered deleted herefrom and the remainder of such provision and of this Agreement shall be unaffected and shall continue in full force and effect.

(j) *Survival.* The terms and conditions set forth in Sections 6, 7, 8, 9, 11, 12, and 13 of this Agreement, and any other provision that continues by its terms, shall survive expiration of the Term or termination of Executive's employment for any reason.

(k) *Captions and Headings.* The captions and paragraph headings used in this Agreement are for convenience of reference only and shall not affect the construction or interpretation of this Agreement or any of the provisions hereof.

(l) *Notices*. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and either delivered in person or sent by first class certified or registered mail, postage prepaid, if to the Company, to the Chief Executive Officer at the Company's principal place of business, and if to Executive, at Executive’s home address most recently filed with the Company, or to such other address or addresses as either party shall have designated in writing to the other party hereto.

IN WITNESS WHEREOF, Executive and the Company have executed this Agreement on this 1st day of February 2017.

PAPA JOHN’S INTERNATIONAL, INC.

By: /s/ Robert W. Smith

Title: SVP, Human Resources

EXECUTIVE

/s/ Michael R. Nettles
Michael Nettles

Exhibit 10.13

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this *"Agreement")* is entered into as of December 5, 2015 by and between PAPA JOHN'S INTERNATIONAL, INC., a Delaware corporation (the *"Company"),* and Caroline Miller Oyler a resident of 7701 Bella Woods Court, Louisville, Kentucky 40214 *(Executive").*

RECITALS

A. The Executive has been offered the position of SVP, General Counsel of the Company.

B. The Company desires to employ Executive, and Executive wishes to be employed as SVP, General Counsel of the Company, to be governed by the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the respective agreements of the Company and Executive set forth below, the Company and Executive, intending to be legally bound, agree as follows:

1. *Effective Date.* The terms and conditions of Executive's employment hereunder shall become effective upon December 5, 2015 (the *"Effective Date").*

2. *Employment.* Subject to all the terms and conditions of this Agreement, Executive's period of employment under this Agreement shall be the period commencing on the Effective Date and ending on December5, 2018 (the *"Third Anniversary Date"),* which term, unless otherwise agreed to by the parties, shall be extended on the Third Anniversary Date and on each anniversary of that date thereafter, for a period of one year (which term together with such extensions, if any, shall be hereinafter defined as the *"Term"),* unless the Executive's employment terminates earlier in accordance with Section 9 hereof. Either party may elect not to renew the Agreement by providing written notice to the other party at least sixty (60) days prior to the expiration of the Term. Thereafter, if Executive continues in the employ of the Company, the employment relationship shall continue to be at will, terminable by either Executive or the Company at any time and for any reason, with or without cause, and subject to such terms and conditions established by the Company from time to time.

3. *Position and Duties.*

(a) *Employment with the Company.* Executive shall be employed as the SVP, General Counsel of the Company, and/or such other titles as the Company reasonably may designate, and shall perform such duties and responsibilities as the Company shall reasonably assign to Executive from time to time, including duties and responsibilities relating to the Company's wholly-owned and partially owned subsidiaries and other affiliates.

(b) *Performance of Duties and Responsibilities.* Executive shall serve the Company faithfully and to the best of Executive's ability and shall devote full working time, attention and efforts to the business of the Company during Executive's employment with the Company hereunder. While Executive is employed by the Company during the Term, Executive shall report to the Chief Executive Officer of the Company or to such other person as designated by the Chief Executive Officer or the Board of Directors of the Company (the *"Board").* Executive hereby represents and confirms that Executive is under no contractual or legal commitments that would prevent Executive from fulfilling Executive's duties and responsibilities as set forth in this Agreement. During Executive's employment with the Company, Executive shall not accept other employment or engage in other material business activity, except as may be approved in writing by the Board. Executive may participate in charitable activities and personal investment activities to a reasonable extent, and Executive may serve as a director of business organizations as approved by the Board, so Jong as such activities and directorships do not interfere with the performance of Executive's duties and responsibilities hereunder.

4. Compensation.

(a) *Base Salary.* As of the Effective Date, the Company shall pay to Executive an annual base salary at the rate of Three Hundred Sixty-Five Thousand ($365,000) per year, less deductions and withholdings, which base salary shall be paid in accordance with the Company's normal payroll policies and procedures. Executive's base salary shall be reviewed on an annual basis by the Compensation Committee of the Board, at the same time and in the same manner as compensation is reviewed by the Compensation Committee for other officers of the Company generally, to determine whether it should be increased.

(b) *Incentive Bonus and Equity Awards.* Executive shall be entitled to participate in such incentive-based compensation plans or equity-based compensation plans of the Company and its affiliates in effect from time to time for executives of the Company, and as approved by and at the discretion of the Compensation Committee.

In the event of a termination of Executive's Employment by the Company other than for Cause (as defined below), and contingent upon Executive's execution of a full release of claims in the manner set forth in Section 10(g), all options and other equity awards, other than performance-based awards (which shall be governed by the terms of the applicable award agreement) granted under any stock option and stock incentive plans of the Company that are outstanding as of the date of termination shall be credited with an additional 6 months of Service (as defined in the Company's 2011 Omnibus Incentive Plan, referred to herein as the "Plan") for purposes of vesting in such award. Except as specifically set forth herein, all equity awards held by Executive shall continue to be governed by the applicable plan and award agreements, including with respect to Corporate Transactions (as defined in the Plan) and posttermination exercisability of awards.

(c) *Benefits.* Executive shall be entitled to participate in all employee benefit plans and programs of the Company that are available to executive officers generally to the extent that Executive meets the eligibility requirements for each individual plan or program. The Company provides no assurance as to the adoption or continuance of any particular employee benefit plan or program, and Executive's participation in any such plan or program shall be subject to the provisions, rules and regulations applicable thereto.

(d) *Expenses.* The Company shall reimburse Executive for all reasonable and necessary out- of-pocket business, travel and entertainment expenses incurred by Executive in the performance of Executive's duties and responsibilities hereunder, subject to the Company's normal policies and procedures for expenses, expense verification and documentation.

(e) *Vacations and Holidays.* Executive shall be entitled to such vacation and holiday benefits as provided to officers generally, as the Company establishes by policy from time to time. Executive shall coordinate Executive's vacation schedule with the Company so as not to impose an undue burden on the Company.

5. *Affiliated Entities.* As used in this Agreement, *"Company"* shall include the Company and each corporation, limited liability company, partnership, or other entity that is controlled by the Company, or is under common control with the Company (in each case "control" meaning the direct or indirect ownership of 50% or more of all outstanding equity interests), *provided, however,* that the Executive's title need not be identical for each of the affiliated entities nor the same as that for the Company.

6. *Confidential Information and Other Agreements.* Executive agrees to abide by the terms of any and all agreements and obligations to the Company regarding confidentiality, including but not limited to any offer letter, Code of Ethics provision, policy, or the Executive's November 22, 2011 Confidentiality, Non-Disparagement and Dispute Resolution Agreement, all the terms of which are reiterated and incorporated by reference herein, and any successor agreements of similar nature executed by Executive from time to time.

7. *Noncompetition Covenant.* Executive agrees to abide by the terms of Executive's September 11, 2015 Confidentiality and Non-Competition Agreement, which is reiterated and incorporated by reference herein, and any successor agreements of similar nature executed by Executive from time to time.

8. Intellectual Property.

(a) *Disclosure and Assignment.* As of the Effective Date, Executive hereby transfers and assigns to the Company (or its designee) all right, title, and interest of Executive in and to every idea, concept, invention, trade secret and improvement (whether patented, patentable or not) conceived or reduced to practice by Executive whether solely or in collaboration with others while Executive is employed by the Company, whether or not conceived or reduced to practice during the regular hours of Executive's employment (collectively, "Creations") and all copyrighted or copyrightable matter created by Executive whether solely or in collaboration with others Executive he is employed by the Company that relates to the Company's business (collectively, *"Works")* whether or not created during the regular hours of Executive's employment. Executive shall communicate promptly and disclose to the Company, in such form as the Company may request, all information, details, and data pertaining to each Work and Creation. Every copyrightable Work, regardless of whether copyright protection is sought or preserved by the Company, shall be a "work made for hire" as defined in 17 U.S.C. § I01, and the Company shall own all rights in and to such matter throughout the world, without the payment of any royalty or other consideration to Executive or anyone claiming through Executive.

(b) *Trademarks.* All right, title, and interest in and to any and all trademarks, trade names, service marks, and logos adopted, used, or considered for use by the Company during Executive's employment (whether or not developed by Executive) to identify the Company's business or other goods or services (collectively, the *"Marks"),* together with the goodwill appurtenant thereto, and all other materials, ideas, or other property conceived, created, developed, adopted, or improved by Executive solely or jointly during Executive's employment by the Company and relating to its business shall be owned exclusively by the Company. Executive shall not have, and will not claim to have, any right, title, or interest of any kind in or to the Marks or such other property.

(c) *Documentation.* Executive shall execute and deliver to the Company such formal transfers and assignments and such other documents as the Company may request to permit the Company (or its designee) to file and prosecute, defend and enforce such registration applications and other documents it deems useful to protect or enforce its rights hereunder.

9. *Termination of Employment.*

(a) Executive's employment with the Company shall terminate immediately upon:

(i) Executive's receipt of written notice from the Company of the termination of Executive's employment;

(ii) the Company's receipt of Executive's written or oral resignation from the Company;

(iii) Executive's Disability (as defined in the Plan); or

(iv) Executive's death.

(b) The date upon which Executive's termination of employment with the Company occurs shall be the *"Termination Date."*

10. *Payments upon Termination of Employment.*

(a) If Executive's employment with the Company is terminated by reason of:

(i) Executive's abandonment of Executive's employment or Executive's resignation for any reason (whether or not such resignation is set forth in writing or otherwise communicated to the Company);

(ii) termination of Executive's employment by the Company for Cause (as defined below);

or

(iii) termination of Executive's employment by the Company without Cause following expiration of the Term;

the Company shall pay to Executive his or her then-current base salary through the Termination Date and any and all other benefits to which Executive may be entitled under any applicable Company policy, plan or procedure (without duplication of benefits).

(b) Except in the case of a Change in Control, which is governed by Section IO(c) below, if Executive's employment with the Company is terminated by the Company pursuant to Section 9(a)(i) effective prior to the expiration of the Term for any reason other than for Cause (as defined below), then the Company shall pay to Executive, subject to Section IO(g) of this Agreement and in addition to the consideration described in Section 4(b) above, the following amounts:

(i) Executive's then-current base salary through the Termination Date;

(ii) pro rata portions of any quarterly and annual non-equity bonus payouts under any non equity incentive-based compensation plans then in effect (provided that any applicable performance measures are achieved); and

(iii) the amount of Executive's then current base salary that Executive would have received from the Termination Date through the date that is nine months following such Termination Date.

Any amount payable to Executive pursuant to Section IO(b)(iii) shall be subject to deductions and withholdings and shall be paid to Executive by the Company in the same periodic installments in accordance with the Company's regular payroll practices commencing on the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law. Any amount payable to Executive pursuant to Section IO(b)(ii) shall be subject to deductions and withholdings and shall be paid to Executive by the Company in the same manner and at the same time that incentive bonus payments are made to current employees of the Company, but no earlier than the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law and no later than March 15 th of the year following the year in which the Termination Date occurs.

(c) If Executive's employment is terminated by the Company without Cause following a Change in Control as defined in this Agreement and before the end of the Term, or if the Executive's employment is terminated by the Executive for Good Reason following a Change in Control and before the end of the Term, then the Company shall pay to Executive, subject to Executive's compliance with Section lO(g) of this Agreement, the lesser of the total of Executive's then current base salary and prorated non-equity incentive bonus payouts as referenced above through the end of the Term of the Agreement, or nine months of Executive's current base salary.

(i) A *"Change of Control"* shall mean that a "Corporate Transaction" as defined in the Plan has taken place during the Term.

(ii) A termination by Executive for "Good Reason" shall mean a termination based on:

(A) the assignment to Executive of different job responsibilities that results in a substantial decrease in the level of responsibility from those in effect immediately prior to the Change of Control;

(B) a material reduction by the Company or the surviving company in Executive's base pay as in effect immediately prior to the Change of Control;

(C) a material reduction by the Company or the surviving company in total benefits available to Executive under cash incentive and other employee benefit plans after the Change of Control compared to the total package of such benefits as in effect prior to the Change of Control;

(D) the requirement by the Company or the surviving company that Executive be based more than 50 miles from where Executive's office is located immediately prior to the Change of Control, except for required travel on company business to an extent substantially consistent with the business travel obligations which Executive undertook on behalf of the Company prior to the Change of Control; or

(E) the failure by the Company to obtain from any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company *("Successor")* the assent to this Agreement contemplated by Section 13(g) hereof.

(d) If Executive's employment with the Company is terminated effective prior to the expiration of the Term by reason of Executive's death or Disability, the Company shall pay to Executive or Executive's beneficiary or estate, as the case may be, Executive's then-current base salary through the Termination Date, any earned and unpaid quarterly non-equity incentive bonus for the fiscal quarter preceding the fiscal quarter in which the Termination Date occurs and a pro-rated portion of any quarterly and annual non-equity incentive bonus for the fiscal quarter in which the Termination Date occurs (provided that any applicable performance measures are achieved), based on the number of days during such fiscal quarter that Executive was employed by the Company, payable in the same manner and at the same time that Incentive Bonus payments are made to current employees of the Company but in no event no later than March I 5th of the year following the calendar year in which the Termination Date occurs.

(e) *"Cause"* hereunder shall mean:

(i) gross negligence or willful misconduct in connection with the performance of duties;

(ii) conviction of a criminal offense (other than minor traffic offenses) that is, or may reasonably be expected to be, injurious to the Company, its business, reputation, prospects, or otherwise;

(iii) material breach of any term of any agreement between the Executive and the Company, including any employment, consulting or other services, confidentiality, intellectual property, non-competition or non-disparagement agreement;

(iv) acts or omissions involving willful or intentional malfeasance or misconduct that is, or may reasonably be expected to be, injurious to the Company, its business, reputation, prospects, or otherwise; or

(v) commission of any act of fraud or embezzlement against the Company.

(f) *"Disability"* hereunder shall have the same meaning as contained in the Company's Plan.

(g) Notwithstanding any other provision hereof, the Company shall not be obligated to make any payments under Section IO of this Agreement or any accelerated vesting in equity under Section 4(b) of this Agreement unless Executive has signed a full release of claims against the Company, in a form and scope to be prescribed by the Company, all applicable consideration periods and rescission periods provided by law shall have expired, and Executive is in strict compliance with the terms of this Agreement and any other agreements between the Executive and the Company as of the dates of the payments. Within five business days of the Termination Date, the Employer shall deliver to the Executive the release for the Executive to execute. The Executive will forfeit all rights to accelerated vesting in equity pursuant to Section 4(b) and to the payments provided pursuant to Section I O(b)(ii) and (iii) unless tbe Executive executes and delivers to the Company the release within 30 days of delivery of the release by the Company to the Executive and such release has become irrevocable by virtue of the expiration of the revocation period without the release having been revoked (the first such date, the "Release Effective Date"). The Company shall have no obligation to provide the payments pursuant to Section lO(b)(ii) and (iii) or the acceleration of equity pursuant to Section 4(b) prior to the Release Effective Date. Payments will commence with the next regular payroll date that occurs more than three business days after the Release Effective Date, with any payment that would have been made but for the Release Effective Date not having occurred being made at that time. <u>provided. however,</u> that if the length of the five business day release delivery date, plus the 30 day or any other applicable review period, plus any revocation period, each as described above or in the release described above, begins in one taxable year and ends in the next taxable year, the Release Effective Date will not occur until the next taxable year.

(h) To the extent the Executive would be subject to the additional 20% tax imposed on certain deferred compensation arrangements pursuant to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") ("Section 409A"), as a result of any provision of this Agreement, such provision shall be deemed amended to the minimum extent necessary to avoid application of such tax and preserve to the maximum extent possible the original intent and economic benefit to the Executive and the Company, and the parties shall promptly execute any amendment reasonably necessary to implement this

Section l0(h).

(i) For purposes of Section 409A, the Executive's right to receive installment payments pursuant to this Agreement including, without limitation, each severance shall be treated as a right to receive a series of separate and distinct payments.

(ii) The Executive will be deemed to have a Termination Date for purposes of determining the timing of any payments or benefits hereunder that are classified as deferred compensation only upon a "separation from service" within the meaning of Section 409A.

(iii) Notwithstanding any other provision hereof, to the extent the Executive is a "specified employee" as defined in Section 409A of the Internal Revenue Code and the final regulations promulgated thereunder, and any portion of Executive's severance pay is not exempt from Section 409A of the Internal Revenue Code, but would otherwise be payable within the first six (6) months following the date of the Executive's date of termination, such severance pay will not be paid to the Executive until the first payroll date of the seventh (7th) month following the date of termination.

(iv) (A) Any amount that the Executive is entitled to be reimbursed under this Agreement will be reimbursed to the Executive as promptly as practical and in any event not later than the last day of the calendar year after the calendar year in which the expenses are incurred, (B) any right to reimbursement or in kind benefits will not be subject to liquidation or exchange for another benefit, and (C) the amount of the expenses eligible for reimbursement during any taxable year will not affect the amount of expenses eligible for reimbursement in any other taxable year.

(v) Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within thirty (30) days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company.

11. *Return of Property.* Upon termination of Executive's employment with the Company, Executive shall deliver promptly to the Company all records, files, manuals, books, forms, documents, letters, memoranda, data, customer lists, tables, photographs, video tapes, audio tapes, computer disks and other computer storage media, and copies thereof, that are the property of the Company, or that relate in any way to the business, products, services, personnel, customers, prospective customers, suppliers, practices, or techniques of the Company, and all other property of the Company (such as, for example, computers, cellular telephones, pagers, credit cards, and keys), whether or not containing Confidential Information, that are in Executive's possession or under Executive's control.

12. *Remedies.* Executive acknowledges that it would be difficult to fully compensate the Company for monetary damages resulting from any breach by Executive of the provisions of Sections 6, 7, 8, and 11 hereof. Accordingly, in the event of any actual or threatened breach of any such provisions, the Company shall, in addition to any other remedies it may have, be entitled to injunctive and other equitable relief to enforce such provisions, and such relief may be granted without the necessity of proving actual monetary damages. Any such action shall only be brought in a court of competent jurisdiction in the Commonwealth of Kentucky, and the parties consent to the jurisdiction, venue and convenience of such courts.

13. Miscellaneous.

(a) *Governing Law.* This Agreement shall be governed by, subject to, and construed in accordance with the laws of the Commonwealth of Kentucky without regard to conflict of law principles.

(b) *Dispute Resolution.* The parties agree that to the extent permitted by law, any dispute arising between Executive and Company, including whether any provision of this Agreement has been breached, shall be resolved through confidential mediation or confidential binding arbitration. Any such dispute shall initially be submitted for resolution to a neutral mediator, mutually selected by the parties. If such dispute is not resolved to the satisfaction of the parties, or the parties cannot agree upon a mediator, then it shall be submitted for resolution by a neutral arbitrator, to be mutually selected by the parties from a list provided by the American Arbitration Association, with such resolution to be made pursuant to that organization's then-current Employment (or other applicable) Arbitration Rules and Mediation Procedures. The parties agree that Company shall bear the costs of any mediation or arbitration arising under this Agreement, although each party shall be responsible for its own attorneys' fees. The parties agree to keep confidential both the fact that any mediation/arbitration has or will take place between them, all facts related thereto, and any resolution thereunder. Any resolution reached via mediation or award of an arbitrator shall be final and binding on the parties.

(c) *Entire Agreement.* This Agreement contains the entire agreement of the parties relating to Executive's employment with the Company and supersedes all prior agreements and understandings with respect to such subject matter, and the parties hereto have made no agreements, representations or warranties relating to the subject matter of this Agreement that are not set forth herein.

(d) *No Violation f Other Agreements.* Executive hereby represents and agrees that neither (i) Executive's entering into this Agreement, (ii) Executive's employment with the Company, nor (iii) Executive's carrying out the provisions of this Agreement, will violate any other agreement (oral, written or other) to which Executive is a party or by which Executive is bound.

(e) *Amendments.* No amendment or modification of this Agreement shall be deemed effective unless made in writing and signed by the parties hereto.

(f) *No Waiver.* No term or condition of this Agreement shall be deemed to have been waived, except by a statement in writing signed by the party against whom enforcement of the waiver is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

(g) *Assignment.* This Agreement shall not be assignable, in whole or in part, by either party without the prior written consent of the other party, except that the Company may, without the consent of Executive, assign its rights and obligations under this Agreement (i) to any entity with which the Company may merge or consolidate, or (ii) to any corporation or other person or business entity to which the Company may sell or transfer all or substantially all of its assets. Upon Executive's written request, the Company will seek to have any Successor by agreement assent to the fulfillment by the Company of its obligations under this Agreement. After any assignment by the Company pursuant to this Section l 3(g), the Company shall be discharged from all further liability hereunder and such assignee shall thereafter be deemed to be the "Company" for purposes of all terms and conditions of this Agreement.

(h) *Counterparts.* This Agreement may be executed in any number of counterparts, and such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

(i) *Severability.* To the extent that any portion of any provision of this Agreement shall be invalid or unenforceable, it shall be considered deleted here from and the remainder of such provision and of this Agreement shall be unaffected and shall continue in full force and effect.

(i) *Survival.* The terms and conditions set forth in Sections 6, 7, 8, 9, 11, 12, and 13 of this Agreement, and any other provision that continues by its terms, shall survive expiration of the Term or termination of Executive's employment for any reason.

(k) *Captions and Headings.* The captions and paragraph headings used in this Agreement are for convenience of reference only and shall not affect the construction or interpretation of this Agreement or any of the provisions hereof.

(l) *Notices.* Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and either delivered in person or sent by first class certified or registered mail, postage prepaid, if to the Company, to the Chief Executive Officer at the Company's principal place of business, and ifto Executive, at Executive's home address most recently filed with the Company, or to such other address or addresses as either party shall have designated in writing to the other party hereto.

IN WITNESS WHEREOF, Executive and the Company have executed this Agreement on this 5th day of December 2015.

PAPA JOHN'S INTERNATIONAL, INC.

By: *\/s/* Lance Tucker
Lance Tucker, CFO and CAO

Caroline Miller Oyler

/s/ Caroline Miller Oyler
Caroline Miller Oyler

Exhibit 10.14

VW/RS

18 April 2017

PRIVATE & CONFIDENTIAL

Jack Swaysland
68 Cardinal Avenue
Kingston-Upon-Thames
Surrey
KT2 5SB

Dear Jack,

This letter (the Agreement) confirms your terms of your contract of employment with Papa John's (GB) Limited (the Company). Your position and job title is Senior Vice President of International. Your employment under the terms of this Agreement commenced on 1 April 2017, however the start of your continuous employment with the Company is 20 November 2006.

1. **Base Salary:**

1.1 You will be paid a base salary of £232,181 per year. Your base salary will be payable by equal monthly instalments by bank giro credit direct to your bank less such deductions as the Company may be required by law to make.

2. **Bonus:**

2.1 You will be eligible to participate in such bonus scheme or schemes on such terms (including any performance targets or criteria) as the Company may determine from time to time. We confirm your participation in the arrangements for a bonus in respect of the year 2017, with the opportunity for you to be paid up to 65% of the basic salary earned during the relevant period.

2.2 All bonus schemes operated by the Company are entirely discretionary and non-contractual in nature and are not incorporated by reference in this letter. Bonus payments are non-pensionable and are subject to tax and NI deductions. The Company may, at the Company's sole discretion, supplement the bonus paid for extraordinary services rendered, as may be appropriate from time to time.

2.3 Without prejudice to the generality of 2.2, participation in a Company bonus scheme in any year will not confer any right to participate in any bonus scheme, or to payments under a scheme, in the following year or any subsequent years, nor will it confer a right to any specific rate of bonus. Any payments under a Company bonus scheme are conditional upon such terms, conditions and performance criteria as the Company may determine from time to time. You agree that no payment will be made or due under any bonus scheme if on the payment date you have given, or have been given, notice of termination of employment or are no longer employed by the Company.

3. **Hours of Work:**

3.1 Your normal hours of work are from 9.00am to 5.30pm Monday to Friday together with such additional hours as may be necessary for the proper performance of your duties. You agree that the nature of your position is such that your working time cannot be measured, and that accordingly your position falls within the scope of regulation 20 of the Working Time Regulations 1998.

4. **Duties:**

4.1 You will carry out such duties and functions, exercise such powers and comply with such instructions in connection with the business of the Company and the Papa John's Group which are consistent with your position as the Company may direct from time to time. Except when prevented by illness, accident or holiday as provided below you will devote the whole of your time and all of your attention and skill to the affairs of the Company and where appropriate any company in the Papa John's Group and use your best endeavours to promote its/their interests.

4.2 You will if and so long as may be required by the Company carry out duties for and/or act as a director, officer or employee of any other company in the Papa John's Group. The duties attendant on any such appointment will be carried out by you as if they were duties to be performed by you on behalf of the Company.

4.3 You will at all times promptly give to the Company (in writing if requested) all information, explanations and assistance that the Company may require in connection with the business or affairs of the Company and any other company in the Papa John's Group and your employment with the Company.

4.4 Except with the written consent of the Company (such consent not to be unreasonably withheld) you will not during your employment with the Company be directly or indirectly engaged, concerned or interested whether as principal, servant or agent (on your own behalf or on behalf of or in association with any other person) in any other trade, business or occupation other than the business of the Company or any company in the Papa John's Group. This clause will not prevent you from being interested for investment purposes only as a member, debenture holder or beneficial owner of any stock, shares or debentures which are listed or dealt in on a recognised investment exchange and which do not represent more than four per cent of the total share or loan capital from time to time in issue in such company.

5. **Place of Work:**

5.1 You will be required to travel and work widely within the United Kingdom, and possibly abroad, in the course of your duties. The Company is based at 11 Northfield Drive, Northfield, Milton Keynes, Buckinghamshire, MK15 0DQ, or at such other place or places as the Company may reasonably decide.

6. **Benefits:**

6.1 *Pension*

You are entitled to become a member of a Company pension scheme, subject to satisfying certain eligibility criteria and subject to the rules of the scheme as amended from time to time. Full details are available upon request from the Finance Director.

6.2 *Expenses*

You will be reimbursed all out of pocket expenses reasonably and properly incurred by you in the performance of your duties on hotel, travelling, entertainment and other similar items provided that you comply with the Company's requirements relating to expenses, as amended from time to time, and produce to the Company such evidence of expenditure as it may require.

6.3 *Car*

In addition, as your job may require that you drive a motor vehicle to properly undertake your duties, it is a condition of your employment that you hold, and continue to hold, a current driving licence. In the event that you lose your driving licence for any reason whatsoever, the Company reserves the right to terminate your employment. The Company may require you to produce your driving licence at any time.

In the event you are required to use your private car on company business you agree to comply with the terms in the Travel & Expense Policy.

6.4 *Life Insurance*

You are eligible to participate in the Company's life assurance scheme and obtain life insurance cover which would pay a sum equal to four times your basic salary. Your participation is subject to the terms of the scheme and the rules of the relevant insurance provider, as amended from time to time, and to the premium being at a rate which the Company considers reasonable. Details are available on request.

The Company in its sole and absolute discretion reserves the right to discontinue, vary or amend the scheme (including the level of cover) at any time on providing you with reasonable notice and without any obligation to pay you compensation in lieu of such benefits.

6.5 *Health Insurance*

You, together with your spouse or civil partner and any dependent children under the age of 18, will be entitled to participate at the Company's expense in the Company's private medical insurance plan subject to the rules of the plan from time to time and subject to your eligibility to participate in or benefit from such plan pursuant to its rules. Details and additional benefit information are available on request.

The Company in its sole and absolute discretion reserves the right to discontinue, vary or amend the scheme (including the level of cover) at any time on providing you with reasonable notice and without any obligation to pay you compensation in lieu of such benefits.

7. **Vacation**

In a complete holiday year you are entitled to 33 days holiday with pay each holiday year. This figure comprises of 25 days basic holiday, plus 8 days for public holidays. Should the public holidays increase or decrease, then this allowance will alter accordingly. Bank holidays are treated as normal working days. At the start and end of your employment, you will be entitled to paid holiday pro rata to the number of complete calendar months worked by you in the relevant calendar year. The dates of your holiday must be approved beforehand by your line manager or any such person as the Company may determine. Unused holiday entitlement may not be carried forward to the next year without the written permission of the Regional Vice President, or any such person as the Company may determine. Where you have taken more or less than your holiday entitlement in the year your employment terminates, a proportionate adjustment will be made by way of addition to or deduction from (as appropriate) your final pay calculated on a pro-rata basis.

8. **Sickness or Injury Benefit**

8.1 If you are absent from your duties as a result of illness or injury, you will notify your line manager, or any such person the Company may determine, as soon as possible and complete any self – certification forms which are required by the Company. If the incapacity continues for a period of seven days or more, you will produce to the Company a medical certificate to cover the duration of such absence.

8.2 Subject to your compliance with the Company’s notification and certification requirements, if you are absent from your duties as a result of illness or injury, you shall continue to receive your full salary and contractual benefits during any period of absence for up to an aggregate of 13 weeks in any 52 week period (such payment shall be inclusive of any statutory sick pay due in accordance with applicable legislation in force at the time of absence), and for any such absence thereafter you will be entitled only to payment of such Statutory Sick Pay as may be required by law.

8.3 If you are absent from work because of any injury or condition (physical or mental and whether or not sustained in the course of your duties) caused wholly or partly by an act or omission of any third party (other than the Company or any company in the Papa John’s Group) and recover damages or compensation from such party, you will repay to the Company a sum equivalent to the amount (if any) of any such damages or compensation which relates to any period of absence during which you received salary from the Company pursuant to any sick pay policy provided that the amount payable by you hereunder shall not exceed the amount of any sick pay received by you from the Company for the said period.

8.4 Whether or not you are absent by reason of sickness, injury or other incapacity you will at the request of the Company agree to have a medical examination performed by a doctor appointed and paid for by the Company and you hereby authorise the Company to have unconditional access to any report or reports (including copies) produced as a result of such examination as the Company may from time to time require and entitlement to salary pursuant to any sick pay policy will be conditional upon you complying with the terms of this clause 8.4.

8.5 The provisions of this clause will not prejudice or limit in any way the Company’s right to terminate your employment pursuant to the terms of this Agreement.

8.6 For the avoidance of doubt, you are not entitled to receive any benefits under any permanent health insurance scheme.

9. **Collective Agreements:**

9.1 There are no collective agreements which directly affect the terms and conditions of your employment.

10. **Company Rules, Policies and Procedures:**

10.1 You must comply with the Company rules, policies and procedures which apply to you. The Company reserves the right to change such rules, policies and procedures and to withdraw them at its discretion. If there is any conflict between the Company's rules, policies and procedures and this Agreement, it is the terms set out in this Agreement which apply to your employment. Breach of any of the applicable rules, policies or procedures may result in disciplinary action.

10.2 The Company reserves the right to search any employee and any vehicle, clothing or other property belonging to the employee at any time. It is a condition of your employment that you co-operate fully with any such search.

10.3 The Company reserves the right to require any employee to be medically examined at the Company's expense. It is a condition of your employment that you co-operate fully with any such medical examination.

11. **Confidentiality:**

11.1 You will have access to confidential information in the course of your employment about the affairs of the Company, its customers and suppliers and franchise owners. While employed by the Company and after the termination of your employment, regardless of the reason for the termination, you agree that you shall not use, disseminate, disclose or publish, directly or indirectly, any such confidential information except as is required to perform your obligations under this Agreement.

11.2 The above restrictions shall not apply to:

11.2.1 any use or disclosure authorised by the Company or required by law; or

11.2.2 any information which is already in, or comes into, the public domain other than through your unauthorised disclosure; or

11.2.3 prevent you from making a protected disclosure within the meaning of section 43A of the Employment Rights Act 1996.

12. **Post-Termination Restrictions:**

12.1 In order to protect the confidential information, trade secrets and business connections of the Papa John's Group to which you have access as a result of your employment, you covenant with the Company (for itself and as trustee and agent for each company in the Papa John's Group) that you shall not:

12.1.1 for 6 months after the Termination Date in the course of any business concern which is in competition with any Restricted Business, offer to employ or engage or otherwise endeavour to entice away from the Papa John's Group any Restricted Person; or

12.1.2 for 12 months after the Termination Date, be involved in any Capacity with any business concern (including, but not limited to, those branded Domino's Pizza, Pizza Hut and Little Caesars) which is (or intends to be) in competition with any Restricted Business within any Restricted Territory; or

12.1.3 at any time after the Termination Date, represent yourself as connected with the Company or the Papa John's Group in any Capacity.

12.2 None of the restrictions in clause 12.1 shall prevent you from being engaged or concerned in any business concern, provided that your duties or work shall relate solely to services or activities of a kind with which you were not concerned to a material extent in the 6 months prior to the Termination Date.

12.3 The restrictions imposed on you by this clause 12 apply to you acting:

12.3.1 directly or indirectly; and

12.3.2 on his own behalf or on behalf of, or in conjunction with, any firm, company or person.

12.4 The periods for which the restrictions in clause 12.1 apply shall be reduced by any period that the Employee spends on Garden Leave immediately prior to the Termination Date.

12.5 If you receive an offer to be involved in a business concern in any Capacity during the term of this Agreement, or prior to the expiry of the last of the covenants in this clause 12, you shall give the person making the offer a copy of this clause 12.

12.6 You have entered into the restrictions in this clause 12 having been separately legally advised.

12.7 Each of the restrictions in this clause 12 is intended to be separate and severable. If any of the restrictions shall be held to be void but would be valid if part of their wording were deleted, such restriction shall apply with such deletion as may be necessary to make it valid or effective.

12.8 You will, at the request and expense of the Company, enter into a separate agreement with any company of the Papa John's Group in which you agree to be bound by restrictions corresponding to those restrictions in this clause 12 (or such of those restrictions as may be appropriate) in relation to that company.

12.9 In this Agreement:

12.9.1 "Capacity" means agent, consultant, director, employee, owner, partner, shareholder or in any other capacity provided that you may hold an investment by way of shares or other securities of not more than 5% of the total issued share capital of any company (whether or not it is listed or dealt in on a recognised stock exchange);

12.9.2 "Papa John's Group" means the Company, any holding company from time to time of the Company or any subsidiary or associated company from time to time of the Company or of any such holding company (for which purpose "holding company" and "subsidiary" have the meanings ascribed to them by Section 736 of the Companies Act 1985 as amended by the Companies Act 1989 and "associated company" means any company which any such holding company or subsidiary holds or controls more than 20 per cent of the equity share capital);

12.9.3 "Restricted Business" means the business of selling pizza on a delivery or carry-out basis.

12.9.4 "Restricted Person" means anyone employed or engaged by the Papa John's Group at [manager] level or above and with whom you dealt in the 6 months prior to the Termination Date in the course of your employment;

12.9.5 "Restricted Territory" means any site in the United Kingdom within a 10-mile radius of either (i) a Delivery Unit operated by the Company or a franchisee of the Company or (ii) a territory which at the Termination Date has been allocated to for the development of a Delivery Unit by the Company or a franchisee of the Company; and

12.9.6 "Termination Date" means the date of termination of your employment with the Company howsoever caused (including, without limitation, termination by the Company in repudiatory breach of contract).

13. **Termination:**

13.1 Your employment with the Company may be terminated by you or the Company giving the other 9 months' written notice to expire at any time. You must deliver such notice to your line manager or any such person as the Company may determine.

13.2 Following service of notice to terminate your employment by either party, or if you purport to terminate your employment in breach of contract, the Company may by written notice place you on Garden Leave for the whole or part of the remainder of your employment. Any untaken holiday entitlement accrued or likely to accrue up to the end of your employment must be taken during the Garden Leave period to the extent there are sufficient days of employment remaining. You agree to notify the Company of any day or days during the exclusion period when you will be unavailable due to holiday and will agree convenient holiday dates in advance. You will continue to be bound by the terms of this Agreement during Garden Leave and will continue to be paid basic salary and be entitled to other benefits in accordance with the terms of this Agreement. The Company shall not be bound to provide you with any work during Garden Leave and may exclude you from Company premises and require you not to communicate with such of its employees and business contacts as it may determine.

13.3 The Company reserves the right to terminate employment without notice in cases of gross misconduct. Further details and examples are contained in the Company Handbook.

13.4 In addition, as your job requires that you drive a motor vehicle to properly undertake your duties, it is a condition of your employment that you hold, and continue to hold, a current driving licence. In the event that you lose your driving licence for any reason whatsoever, the Company reserves the right to terminate your employment.

14 **Deductions:**

14.1 By signing this Agreement you agree that the Company may deduct from your pay (which includes holiday pay, sick pay, bonus and pay in lieu of notice) any amounts which you owe to the Company or any other company in the Papa John's Group.

14.2 By signing this Agreement you agree that the Company may deduct from any bonus or any other pay due to you from the Company or any other company in the Papa John's Group any amounts required in order to fulfil your obligations pursuant to any stock ownership guidelines specified by the Papa John's Compensation Committee from time to time and the Company shall apply such deducted sums in accordance with the procedure set down in those guidelines from time to time.

15 **Disciplinary and Grievance Procedures:**

15.1 You are subject to the Company's disciplinary and grievance procedures, copies of which are available upon request from the Finance Director. These procedures do not form part of your contract of employment.

15.2 The Company may at any time suspend you for a period of up to 2 weeks during any period in which the Company is carrying out a disciplinary investigation into any alleged acts or defaults connected with your employment. During any period of suspension you shall continue to receive your salary and contractual benefits.

16 **Retirement Age:**

16.1 The Company is currently reviewing its policies on compulsory retirement. You agree to be bound by such retirement age as it may decide for your position.

17 **Directorship:**

17.1 The Company is not obliged to ensure that you are appointed or remain a director of any company in the Papa John's Group within the meaning of section 741 of the Companies Act 1985 (as amended) and the removal of you from any board in accordance with the company's Articles of Association or if required by law or otherwise will not be a breach of this Agreement by the Company (or any company in the Papa John's Group) nor terminate your employment hereunder.

17.2 You will on termination of your employment for any reason and/or on commencement of any period of Garden Leave give written notice resigning immediately without claim for compensation (but without prejudice to any claim you may have for damages for breach of this Agreement) as a director of the Company and any company in the Papa John's Group of which you are a director.

17.3 If notice pursuant to clause 17.2 is not received by the relevant company within 7 days of a request by the Company, the Company is irrevocably authorised to appoint a person to execute any documents and to do everything necessary to effect such resignation or resignations on your behalf.

18 **Company property:**

18.1 On request and in any event on termination of your employment for any reason you are required to return to the Company all company property including company credit or charge cards, your security pass, all keys, computer hard and software including discs and all documents in whatever form (including notes and minutes of meetings, customer lists, diaries and address books, computer printouts, plans, projections) together with all copies (irrespective of by whom and in what circumstances such copies were made) which are in your possession or under your control.

19 **Data protection:**

19.1 For the purposes of the Data Protection Act 1998 (as amended), you give your consent to the Company and any other Company in the Papa John's Group processing personal data provided by you for all purposes relating to the performance of your employment including but not limited to:

19.1.1 administering and maintaining personal records;

19.1.2 paying and reviewing salary and other remuneration and benefits;

19.1.3 providing and administering benefits (including, if relevant, pension, life assurance, permanent health insurance and medical insurance); undertaking performance appraisals and reviews;

19.1.4 maintaining sickness, holiday and other absence records;

19.1.5 equal opportunities matters including the operation of an equal opportunities policy;

19.1.6 taking decisions about your fitness for work;

19.1.7 carrying out performance appraisals and development reviews;

19.1.8 providing references and information to future employers;

19.1.9 providing information to governmental and quasi-governmental bodies for social security and other purposes, the HM Revenue & Customs and the Contributions Agency;

19.1.10 recording the commission or alleged commission of any offence;

19.1.11 providing information to future purchasers of the Company or and companies in the Papa John's Group or of the business(es) in which you work; and

19.1.12 transferring information concerning you to a country or territory outside the EEA.

20 **Miscellaneous:**

20.1 This Agreement replaces all previous agreements between you and the Company or any other company in the Papa John's Group relating to your employment.

20.2 This Agreement and your employment shall be governed by and interpreted in accordance with the law of England and Wales. Subject to clause, each party irrevocably agrees to submit to the exclusive jurisdiction of the courts and tribunals of England and Wales over any claim or matter arising under or in connection with this Agreement.

Yours sincerely

Valerie Wookey - UK HR Manager
For and on behalf of Papa John's (GB) Limited

I understand and agree to the terms and conditions of my employment as set out above and I consent to your processing personal data (including sensitive data) as set out in clause 19.

/s/Jack Swaysland

Jack Swaysland

DATE April 18, 2017

Exhibit 10.19

EXECUTION VERSION

AMENDMENT NO. 4

Dated as of February 1, 2019

to

CREDIT AGREEMENT

Dated as of August 30, 2017

THIS AMENDMENT NO. 4 (this "Amendment") is made as of February 1, 2019 by and among Papa John's International, Inc. (the "Borrower"), the financial institutions listed on the signature pages hereof and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent'), under that certain Credit Agreement dated as of August 30, 2017 by and among the Borrower, the subsidiaries of the Borrower from time to time party thereto as Subsidiary Guarantors, the Lenders from time to time party thereto and the Administrative Agent (as amended by that certain Amendment No 1. to Credit Agreement dated as of October 26, 2017, as amended by that certain Amendment No. 2 to Credit Agreement dated as of January 10, 2018, as amended by that certain Amendment No. 3 to Credit Agreement dated as of October 9, 2018 and as amended, restated, supplemented or otherwise modified, the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement.

WHEREAS, the Borrower has requested that the requisite Lenders and the Administrative Agent agree to make certain amendments to the Credit Agreement; and

WHEREAS, the Borrower, the Lenders party hereto and the Administrative Agent have so agreed on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower, the Lenders party hereto and the Administrative Agent hereby agree to enter into this Amendment.

1. Amendments to the Credit Agreement. Effective as of the date of satisfaction of the conditions precedent set forth in Section 2 below, the parties hereto agree that the Credit Agreement is amended as follows:

(a) Section 1.01 of the Credit Agreement is amended to add the following definition thereto in the appropriate alphabetical order:

"Specified Preferred Equity" means those certain preferred Equity Interests of the Borrower expected to be issued in the first quarter of 2019, on substantially the terms disclosed in writing to the Lenders on or prior to the issuance date thereof.

(b) Section 6.05 of the Credit Agreement is amended and restated in its entirety to read as follows:

SECTION 6.05. Dividends and Related Distributions. Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, (i) make or pay or (ii) agree to become or remain liable to make or pay (provided that this clause (ii) shall not prohibit the issuance of the Specified Preferred Equity), in each case, any dividend or other distribution of any nature (whether in cash, property, securities or otherwise) on account of or in respect of its Equity Interests, including any sinking fund or similar deposit, or on account of the purchase, redemption, retirement, cancellation, termination or acquisition of its Equity Interests (or warrants, options or rights therefor) (any of the foregoing being referred to as a "Restricted Payment"), except (a) the Borrower may declare and pay Restricted Payments with respect to its Equity Interests payable solely in additional shares of its common stock, (b) Subsidiaries may declare and pay dividends ratably with respect to their Equity Interests, (c) the Borrower may make Restricted Payments pursuant to and in accordance with stock option plans or other benefit plans for management or employees of the Borrower and its Subsidiaries, (d) the Borrower may declare and pay cash dividends with respect to its common Equity Interests in an aggregate amount for any fiscal year of the Borrower not to exceed the lesser of (i) $35,000,000 and (ii) an amount equal to $0.225 per share per fiscal quarter and (e) the Borrower and its Subsidiaries may make any other Restricted Payment (including, for the avoidance of doubt, any repurchase of Equity Interests of the Borrower pursuant to the Specified Share Repurchase Program) so long as immediately prior to and after giving effect (including giving effect on a pro forma basis) to such Restricted Payment (i) no Default or Event of Default exists or would result therefrom, (ii) the Leverage Ratio is not greater than 3.75 to 1.00 and (iii) the Borrower is in compliance with the financial covenant set forth in Section 6.15.

(c) Clause (j) of Article VII of the Credit Agreement is amended to (i) add "(i)" at the beginning thereof and (ii) add the following as a new clause (iii) thereof: "or (iii) the occurrence of a change in control, or other similar provision, as defined in any declaration, agreement or instrument evidencing, governing or providing for the issuance of the Specified Preferred Equity (triggering a default or mandatory prepayment, distribution or redemption, which default or mandatory prepayment, distribution or redemption has not been waived in writing)".

2. Conditions of Effectiveness. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent:

(a) The Administrative Agent shall have received counterparts of (i) this Amendment duly executed by the Borrower, the Required Lenders and the Administrative Agent and (ii) the Consent and Reaffirmation attached hereto duly executed by the Subsidiary Guarantors.

(b) The Administrative Agent shall have received payment of the Administrative Agent's and its affiliates' reasonable out-of-pocket expenses (including reasonable out-of-pocket fees and expenses of counsel for the Administrative Agent) in connection with this Amendment for which invoices have been presented prior to the date hereof.

3. Representations and Warranties of the Borrower. The Borrower hereby represents and warrants as follows:

(a) This Amendment and the Credit Agreement as modified hereby constitute legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with its terms, except to the extent that enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Requirements of Law affecting the enforceability of creditors' rights generally or limiting the right of specific performance and by general principles of equity.

(b) As of the date hereof and after giving effect to the terms of this Amendment, (i) no Default or Event of Default has occurred and is continuing and (ii) the representations and warranties of the Loan Parties set forth in the Loan Documents are true and correct in all material respects (or in all respects in the case of any representation and warranty qualified by materiality or Material Adverse Effect) with the same effect as though made on and as of the date hereof (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date is true and correct in all material respects (or in all respects in the case of any representation and warranty qualified by materiality or Material Adverse Effect) only as of such specified date).

4. Reference to and Effect on the Credit Agreement.

(a) Upon the effectiveness hereof, each reference to the Credit Agreement in the Credit Agreement or any other loan document shall mean and be a reference to the Credit Agreement as amended hereby.

(b) The Credit Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed. The Borrower (i) agrees that, except as specifically provided herein, this Amendment and the transactions contemplated hereby shall not limit or diminish the obligations of the Borrower arising under or pursuant to the Credit Agreement or the other Loan Documents to which it is a party, (ii) reaffirms its obligations under the Credit Agreement, the Pledge Agreement and each and every other Loan Document to which it is a party and (iii) reaffirms all Liens on the Collateral which have been granted by it in favor of the Administrative Agent (for itself and the other Secured Parties) pursuant to any of the Loan Documents, and all filings made with a Governmental Authority in connection therewith.

(c) Except with respect to the subject matter hereof, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

(d) This Amendment is a Loan Document.

5. Governing Law. This Amendment shall be construed in accordance with and governed by the law of the State of New York.

6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

7. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Signatures delivered by facsimile or PDF shall have the same force and effect as manual signatures delivered in person.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

PAPA JOHN'S INTERNATIONAL, INC.,
as the Borrower

By: /s/ Joseph H. Smith
Name: Joseph H. Smith
Title: Senior Vice President, Chief Financial Officer

JPMORGAN CHASE BANK, N.A.,
individually as a Lender and as Administrative Agent

By: /s/ James Duffy Baker, Jr.
Name: James Duffy Baker, Jr.
Title: Managing Director

PNC BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Shelly Stephenson
Name: Shelly Stephenson
Title: Senior Vice President

U.S. BANK NATIONAL ASSOCIATION,
as a Lender

By: /s/ Mark R. Mick
Name: Mark R. Mick
Title: Vice President

BANK OF AMERICA, N.A.,
as a Lender

By: /s/ John M. Hall
Name: John M. Hall
Title: Senior Vice President

BRANK BANKING & TRUST COMPANY,
as a Lender

By: /s/ Ryan T. Hamilton
Name: Ryan T. Hamilton
Title: Vice President

BMO HARRIS BANK N.A.,
as a Lender

By: /s/ Katherine Robinson
Name: Katherine Robinson
Title: Director

COÖPERATIEVE RABOBANK U.A., NEW YORK BRANCH,
as a Lender

By: /s/ Van Brandenburg
Name: Van Brandenburg
Title: Managing Director

By: /s/ Erin Scott
Name: Erin Scott
Title: Vice President

BARCLAYS BANK PLC,
as a Lender

By: /s/ Colin Goss
Name: Colin Goss
Title: Director, International Corporates
(Executed in New York)

CONSENT AND REAFFIRMATION

Each of the undersigned hereby acknowledges receipt of a copy of the foregoing Amendment No. 4 to the Credit Agreement dated as of August 30, 2017 (as amended by that certain Amendment No 1. to Credit Agreement dated as of October 26, 2017, as amended by that certain Amendment No. 2 to Credit Agreement dated as of January 10, 2018, as amended by that certain Amendment No. 3 to Credit Agreement dated as of October 9, 2018 and as amended, restated, supplemented or otherwise modified, the "Credit Agreement") by and among Papa John's International, Inc., the other Loan Parties from time to time party thereto, the financial institutions from time to time party thereto (the "Lenders") and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"), which Amendment No. 4 is dated as of February 1, 2019 (the "Amendment"). Capitalized terms used in this Consent and Reaffirmation and not defined herein shall have the meanings given to them in the Credit Agreement. Without in any way establishing a course of dealing by the Administrative Agent or any Lender, each of the undersigned (i) consents to the Amendment, (ii) reaffirms its obligations under, and the terms and conditions of, the Credit Agreement and any other Loan Document executed by it, (iii) acknowledges and agrees that such Credit Agreement and each and every such Loan Document executed by the undersigned in connection with the Credit Agreement remains in full force and effect and is hereby reaffirmed, ratified and confirmed and (iv) reaffirms all Liens on the Collateral which have been granted by it in favor of the Administrative Agent (for itself and the other Secured Parties) pursuant to any of the Loan Documents, and all filings made with a Governmental Authority in connection therewith. All references to the Credit Agreement contained in the above-referenced documents shall be a reference to the Credit Agreement as so modified by the Amendment.

Dated: February 1, 2019

[Signature Page Follows]

PAPA JOHN’S USA, INC.,
as a Subsidiary Guarantor

By: /s/ Joseph H. Smith
Name: Joseph H. Smith
Title: Senior Vice President, Chief Financial Officer

PREFERRED MARKETING SOLUTIONS, INC.,
as a Subsidiary Guarantor

By: /s/ Joseph H. Smith
Name: Joseph H. Smith
Title: Vice President

CAPITAL DELIVERY, LTD.,
as a Subsidiary Guarantor

By: /s/ Joseph H. Smith
Name: Joseph H. Smith
Title: President and Asst. Treasurer

PJ FOOD SERVICE, INC.,
as a Subsidiary Guarantor

By: /s/ Joseph H. Smith
Name: Joseph H. Smith
Title: Vice President

TRANS PAPA LOGISTICS, INC.,
as a Subsidiary Guarantor

By: /s/ Joseph H. Smith
Name: Joseph H. Smith
Title: Vice President

Exhibit 10.2

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this "***Agreement***"), dated [●], is by and between Papa John's International, Inc., a Delaware corporation (the "***Corporation***"), and [●], an individual ("***Indemnitee***").

RECITALS

A. Competent and experienced persons may be reluctant to serve, or to continue to serve, as officers of legal entities or in other capacities unless they are provided with adequate protection through insurance or indemnification (or both) against claims against them arising out of their service and activities on behalf of such entities.

B. The Board has determined that enhancing the ability of the Corporation to retain and attract as officers the most capable persons is in the best interests of the Corporation, and that the Corporation therefore should seek to assure such persons that indemnification and insurance coverage is available.

C. As a supplement to and in the furtherance of the Corporation's Amended and Restated Certificate of Incorporation (as may be amended or restated from time to time, the "***Certificate of Incorporation***"), the Corporation's Amended and Restated Bylaws (as may be amended or restated from time to time, the "***Bylaws***"), the organizational documents of any direct or indirect subsidiary of the Corporation (such organizational documents, together with the Certificate of Incorporation and the Bylaws, the "***Constituent Documents***") and the coverage of Indemnitee under the Corporation's directors' and officers' liability or similar insurance policies ("***D&O Insurance***"), it is reasonable, prudent, desirable and necessary for the Corporation contractually to obligate itself to indemnify, and to pay in advance expenses and losses on behalf of, directors, officers and other persons serving in a Corporate Status (as defined below) to the fullest extent permitted by law so that they will serve or continue to serve the Corporation free from concern that they will not be so indemnified and that their expenses will not be so paid in advance. Further, this Agreement is intended to be enforceable irrespective of, among other things, any amendment to the Constituent Documents, any change in the composition of the Board or any Change in Control (as defined below), business combination or similar transaction relating to the Corporation.

D. This Agreement is not a substitute for, nor does it diminish or abrogate any rights of Indemnitee under, the Constituent Documents or any resolutions adopted pursuant thereto (including any contractual rights of Indemnitee that may exist) other than any Existing Agreement (as defined below) which shall be replaced in its entirety by this Agreement. In the event of conflict of any provision(s) of any Constituent Document and this Agreement, the provision(s) of the Constituent Document and this Agreement shall be interpreted together in the manner that is most favorable to the Indemnitee.

E. Indemnitee is an officer of the Corporation or one of its direct or indirect subsidiaries (and will have such other role as may be set forth in the definition of Corporate Status) and his or her willingness to serve or continue to serve in such capacity is predicated, in substantial part, upon the Corporation's willingness to indemnify him or her to the fullest extent permitted by the laws of the State of Delaware and upon the other undertakings set forth in this Agreement.

F. Indemnitee may have certain rights to indemnification and/or insurance provided by the Other Indemnitors (as defined below), which Indemnitee and the Other Indemnitors intend to be secondary to the primary obligation of the Corporation to indemnify Indemnitee as provided herein, with the Corporation's acknowledgement and agreement to the foregoing being a material condition to Indemnitee's willingness to serve on the Board.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and covenants contained herein and the Indemnitee's agreement to provide services to the Corporation, the Corporation and Indemnitee hereby agree as follows:

ARTICLE 1
CERTAIN DEFINITIONS

Capitalized terms used but not otherwise defined in this Agreement have the meanings set forth below:

"***Applicable Proceeding***" means (i) any threatened, pending or completed action, suit, claim, demand, arbitration, alternate dispute resolution mechanism, request to toll the statute of limitations, investigation, inquiry, hearing or any other actual, threatened or completed proceeding, including any and all appeals, in each case, whether brought by or in the right of the Corporation (or any of its direct or indirect subsidiaries) or otherwise, whether civil, criminal, administrative, regulatory, arbitrative or investigative, whether formal or informal, whether made pursuant to federal, state, local, or foreign law or otherwise, and whether or not commenced prior to the date of this Agreement, in which Indemnitee was, is or will be involved as a party or otherwise, by reason of or arising from Indemnitee's Corporate Status and by reason of or relating to either (a) any action or alleged action taken by Indemnitee (or failure or alleged failure to act) or any action or alleged action (or failure or alleged failure to act) on Indemnitee's part, while acting in his or her Corporate Status at any time or (b) the fact that Indemnitee is or was or will be serving at the request of the Corporation (or any of its direct or indirect subsidiaries) in an Enterprise Corporate Status, in each case, whether or not serving in such capacity at the time any Loss or Expense is paid or incurred for which indemnification or advancement of Expenses can be provided under this Agreement, or (ii) any inquiry, hearing or investigation that Indemnitee determines might reasonably lead to the institution of any such action, suit, proceeding or alternative dispute resolutions mechanism. For purposes of this Agreement, the term "threatened" will be deemed to include Indemnitee's good faith belief that a claim or other assertion might lead to institution of an Applicable Proceeding.

"***Board***" means the Board of Directors of the Corporation or any committee designated by the Board of Directors of the Corporation in respect hereof.

"***Change in Control***" means the occurrence of any of the following: (i) the direct or indirect sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions (including, without limitation, any merger, consolidation or liquidation whether by operation of law or otherwise), of all or substantially all of the properties or assets of the Corporation and its subsidiaries, taken as a whole, to a third party purchaser (or group of affiliated third party purchasers), (ii) the consummation of any transaction (including, without limitation, any merger or consolidation or whether by operation of law or otherwise), the result of which is that a third party purchaser (or group of affiliated third party purchasers) becomes the beneficial owner, directly or indirectly, of more than fifty percent (50%) of the then outstanding Shares or of the surviving entity of any such merger or consolidation, (iii) any change of more than fifty percent (50%) of the individuals who comprise the Board relative to the composition of the Board as of the date hereof or (iv) the commencement of, or filing for, any bankruptcy, insolvency proceeding or assignment for the benefit of creditors, or the appointment of any receiver, trustee or liquidator, whether voluntary or involuntary, in each case with respect to the Corporation.

"***Controlled Affiliate***" means any corporation, limited liability company, partnership, joint venture, trust or other Enterprise, whether or not for profit, that is, directly or indirectly, controlled by the Corporation. For purposes of this definition, the term "control" means the possession, directly or indirectly, of the power to direct, or cause the direction of, the management or policies of an Enterprise, whether through the ownership of voting securities, through other voting rights, by contract or otherwise.

"***Corporate Status***" means the status of a person as an officer, director, member or chairman of any committee or subcommittee, or chairman of the Board of Directors of the Corporation (or a similar governing body of a subsidiary of the Corporation or Controlled Affiliate) or any of the Corporation's direct or indirect subsidiaries or Controlled Affiliates.

"***Disinterested Director***" means a director of the Corporation who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

"***Enterprise***" means the Corporation, any subsidiary of the Corporation or any other corporation, partnership, limited liability company, joint venture, employee benefit plan, trust or other entity or other enterprise.

"***Enterprise Corporate Status***" means the status of a person as an officer, director, member or chairman of any committee or subcommittee, lead director and chairman of the board of directors (or a similar governing body) of any Enterprise or any of the Enterprise's direct or indirect subsidiaries or controlled affiliates.

"***Exchange Act***" means the Securities Exchange Act of 1934, as amended, or any successor statute thereto, and the rules and regulations of the United States Securities and Exchange Commission promulgated thereunder.

"***Existing Agreement***" means any agreement primarily in respect of indemnification or reimbursement of expenses between Indemnitee and the Corporation existing prior to the date hereof. For the avoidance of doubt, "Existing Agreement" does not include any Constituent Documents or D&O Insurance.

"***Expenses***" means any and all fees, expenses, and disbursements, including any and all attorney's fees, disbursements and retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, arbitrator's and mediator's fees and expenses, duplicating costs, printing and binding costs, court costs, discovery fees and costs awards, including sanctions, filing fees, transcript costs, travel expenses, computer legal research costs telephone charges, postage, fax transmission charges, secretarial services, delivery service fees and all other fees, expenses or disbursements, paid or incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding or in connection with seeking indemnification or other rights under this Agreement. Expenses will also include (a) Expenses paid or incurred in connection with any appeal resulting from any Proceeding, including, without limitation, the premium, security for and other costs relating to any cost bond, supersedeas bond or other appeal bond or its equivalent, (b) Expenses incurred by Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement by Proceeding or otherwise and (c) all Expenses incurred by Indemnitee in connection with Article 5. Expenses, however, will not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

"***Independent Counsel***" means an attorney or firm of attorneys that is experienced in matters of corporation law and neither currently is, nor in the past five (5) years has been, retained to represent: (a) the Corporation, any subsidiary of the Corporation, or Indemnitee in any matter material to any such party (other than with respect to matters concerning the Indemnitee under this Agreement and/or the indemnification provisions of the Constituent Documents, or of other indemnitees under similar indemnification agreements) or (b) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” does not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing the Corporation, any subsidiary of the Corporation, or Indemnitee in an action to determine Indemnitee’s rights under this Agreement.

“***Losses***” means any and all (a) losses, liabilities, judgments, pre-judgment and post-judgment interest, damages, any amounts paid or payable in settlement, fines (including excise taxes and penalties assessed with respect to employee benefit plans and ERISA excise taxes), penalties (in each case, whether civil, criminal or otherwise), and Expenses, (b) interest, assessments, federal, state, local, or foreign taxes imposed as a result of the actual or deemed receipt thereof or hereunder, (c) other charges paid or payable in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, by a witness or participate in, any Proceeding and (d) other charges paid or payable in connection with or in respect of any of the foregoing.

“***Other Indemnitors***” means (a) any former, current or future employer of Indemnitee; (b) any Enterprise in which an Indemnitee is, was or will be a partner, member or equity holder; (c) any Enterprise for whom Indemnitee is, was or will be serving in a Corporate Status at the request of such Enterprise; (d) any other source of indemnification to or any Person required to provide indemnification for the benefit of the Indemnitee; (e) any affiliate of any Person described in the foregoing clauses (a), (b), (c) or (d); and (f) any insurer of any Person described in the foregoing clauses (a), (b), (c), (d) or (e), in each such case, to the extent Indemnitee has rights to indemnification and/or insurance provided by such Enterprise, insurer or other Person in connection with his or her Corporate Status.

“***Person***” means any individual, corporation, firm, partnership, joint venture, limited liability company, estate, trust, business association, organization, governmental entity or other entity and includes the meaning set forth in Sections 13(d) and 14(d) of the Exchange Act.

“***Proceeding***” means (i) any threatened, pending or completed action, suit, claim, demand, arbitration, alternate dispute resolution mechanism, request to toll the statute of limitations, investigation, inquiry, hearing or any other actual, threatened or completed proceeding, including any and all appeals, in each case, whether brought by or in the right of the Corporation (or any of its direct or indirect subsidiaries) or otherwise, whether civil, criminal, administrative, regulatory, arbitrative or investigative, whether formal or informal, whether made pursuant to federal, state, local, or foreign law or otherwise, and whether or not commenced prior to the date of this Agreement, or (ii) any inquiry, hearing or investigation that Indemnitee determines might reasonably lead to the institution of any such action, suit, proceeding or alternative dispute resolutions mechanism. For purposes of this definition, the term “threatened” will be deemed to include Indemnitee’s good faith belief that a claim or other assertion might lead to institution of a Proceeding.

References to “***serving at the request of the Corporation***” include any service in a Corporate Status which imposes duties on, or involves services by, such person with respect to any employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in and not opposed to the best interests of the participants and beneficiaries of an employee benefit plan will be deemed to have acted in a manner “***not opposed to the best interests of the Corporation***” as referred to under applicable law or in this Agreement.

ARTICLE 2
INDEMNIFICATION

2.1 Corporation Indemnification. Subject to Section 2.4 and Article 5, the Corporation hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent permitted by law, as such may be amended from time to time to increase the scope of such permitted indemnification, against any and all Losses and Expenses if Indemnitee was, is, or becomes or was, is or becomes threatened to be, made a party to or participant in, any Applicable Proceeding. For purposes of this Agreement, the meaning of the phrase "***to the fullest extent permitted by law***" will include to the fullest extent permitted by the General Corporation Law of the State of Delaware (as amended from time to time, the "***DGCL***") or any statute that replaces or succeeds the relevant sections of the DGCL with respect to such matters. In the event of any change in the DGCL or any other applicable law, statute or rule which narrows the right of a Delaware corporation to indemnify a person serving in an Enterprise Corporate Status, such change, to the extent not otherwise prohibited by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

(a) Proceedings Other Than Proceedings by or in the Right of the Corporation. Except as otherwise provided in this Article 2 (including pursuant to Section 2.4), Indemnitee shall be entitled to the rights of indemnification provided in this Section 2.1 if, the Indemnitee was, is, or becomes or was, is or becomes threatened to be made, a party to or participant in any Applicable Proceeding other than an Applicable Proceeding by or in the right of the Corporation (which is covered by Section 2.1(b)). Pursuant to this Section 2.1(a), but subject to Section 2.4, Indemnitee shall be indemnified to the fullest extent permitted by law against all Losses and Expenses, and any and all federal, state, local or foreign taxes imposed as a result of the actual or deemed receipt of any payments under this Agreement, that are actually and reasonably paid or incurred by him, or on his behalf, in connection with such Applicable Proceeding.

(b) Proceedings by or in the Right of the Corporation. Except as otherwise provided in this Article 2 (including pursuant to Section 2.4), Indemnitee shall be entitled to the rights of indemnification provided in this Section 2.1 if, the Indemnitee was, is, or becomes or was, is, or becomes threatened to be made, a party to or participant in any Applicable Proceeding brought by or in the right of the Corporation. Pursuant to this Section 2.1(b), but subject to Section 2.4, Indemnitee shall be indemnified to the fullest extent permitted by law against all Losses and Expenses, and any and all federal, state, local or foreign taxes imposed as a result of the actual or deemed receipt of any payments under this Agreement, that are actually and reasonably paid or incurred by him or her, or on his or her behalf, in connection with such Applicable Proceeding.

(c) Additional Indemnity. In addition to, and without regard to any limitations on, the indemnification otherwise provided for in this Section 2.1, but subject to Section 2.4 and Article 5, the Corporation shall and hereby does indemnify and hold harmless Indemnitee to the fullest extent permitted by law against all Expenses and Losses, and any and all federal, state, local or foreign taxes imposed as a result of the actual or deemed receipt of any payments under this Agreement actually and reasonably paid or incurred by him or on his behalf if, he was, is, or becomes or was, is or becomes threatened to be, made a party to or participant in any Applicable Proceeding (including an Applicable Proceeding by or in the right of the Corporation). Subject to Section 2.4, the only limitation that shall exist upon the Corporation's obligations pursuant to this Agreement shall be that the Corporation shall not be obligated to make any payment to Indemnitee that is finally determined (under the procedures, and subject to the presumptions, set forth in Articles 5 and Section 7.2 hereof) to be unlawful. For the avoidance of doubt, the indemnification rights and obligations contained herein shall also extend to any Applicable Proceeding in which the Indemnitee was, is or becomes a party to, was, is or becomes threatened to be made a party to or was or is otherwise involved in any capacity in by reason of Indemnitee's Corporate Status as a fiduciary with respect to an employee benefit plan. In connection therewith, if the Indemnitee has acted in good faith and in a manner which appeared to be consistent with the best interests of the participants and beneficiaries of an employee benefit plan and not opposed thereto, the Indemnitee shall be deemed to have acted in a manner not opposed to the best interests of the Corporation.

2.2 Mandatory Indemnification if Indemnitee is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement (other than Section 5.9), but subject to Section 2.4, to the extent that Indemnitee has been successful, on the merits or otherwise, in defense of any Applicable Proceeding or any part thereof, the Corporation will indemnify Indemnitee to the fullest extent permitted by law against all Losses and Expenses that are actually and reasonably paid or incurred by Indemnitee in connection therewith. If Indemnitee is not wholly successful in such Applicable Proceeding, but is successful, on the merits or otherwise, as to one or more but fewer than all claims, issues or matters in such Applicable Proceeding, the Corporation will indemnify and hold harmless Indemnitee against all Expenses paid or incurred by Indemnitee in connection with each successfully resolved claim, issue or matter on which Indemnitee was successful. For purposes of this Section 2.2, the termination of any Applicable Proceeding, or any claim, issue or matter in such Applicable Proceeding, by dismissal with or without prejudice will be deemed to be a successful result as to such Applicable Proceeding, claim, issue or matter.

2.3 Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his or her Corporate Status, a witness in any Proceeding to which Indemnitee is not a party, the Corporation will indemnify Indemnitee to the fullest extent permitted by law against all Losses and Expenses actually and reasonably paid or incurred by Indemnitee on his or her behalf in connection therewith.

2.4 Exclusions. Notwithstanding any other provision of this Agreement, the Corporation will not be obligated under this Agreement to provide indemnification in connection with the following:

(a) Any Proceeding (or part of any Proceeding) initiated or brought voluntarily by Indemnitee against the Corporation or its directors, officers, employees or other indemnities, unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation, (ii) the Corporation provides the indemnification, in its sole discretion, pursuant to the powers vested in the Corporation under applicable law, (iii) the Proceeding was initiated to establish or enforce a right to indemnification or advancement of expenses under this Agreement, any other agreement or insurance policy (other than an Existing Agreement), under the Constituent Documents or under any statutory authority, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification or advancement of expenses, or recovery from the Corporation's D&O Insurance, as the case may be, or (iv) such payment arises in connection with any mandatory counterclaim or cross claim brought or raised by Indemnitee in any Proceeding (or any part of any Proceeding); *provided*, *however*, that nothing in this Section 2.4(a) shall limit the right of Indemnitee to be indemnified under Section 7.4.

(b) In respect of any claim, issue or matter if a final decision by a court of competent jurisdiction determines that such indemnification is prohibited by applicable law.

(c) For an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Corporation within the meaning of Section 16(b) of the Exchange Act or any similar successor statute.

ARTICLE 3
ADVANCEMENT OF EXPENSES

3.1 Expense Advances. Except in the circumstances set forth in Section 2.4 and subject to Article 5, the Corporation will, if requested by Indemnitee, advance, to the fullest extent permitted by law, to Indemnitee (hereinafter an "***Expense Advance***") any and all Expenses actually and reasonably paid or incurred (even if unpaid) by or on behalf of Indemnitee in connection with any Applicable Proceeding (whether prior to or after its final disposition). Indemnitee's right to each Expense Advance will not be subject to the satisfaction of any standard of conduct and will be made without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement, or under provisions of the Constituent Documents or otherwise. Each Expense Advance will be unsecured and interest free and will be made by the Corporation without regard to Indemnitee's ability to repay the Expense Advance. An Expense eligible for an Expense Advance will include any and all reasonable Expenses incurred pursuing an action to enforce the right of advancement provided for in this Article 3, including Expenses incurred preparing and forwarding statements to the Corporation to support the Expense Advances claimed. Execution and delivery to the Corporation of this Agreement by Indemnitee constitutes an undertaking by the Indemnitee to repay any amounts paid, advanced or reimbursed by the Corporation pursuant to this Section 3 in respect of Expenses relating to, arising out of or resulting from any Proceeding in respect of which it shall be determined, pursuant to Article 7, following the final disposition of such Proceeding, that Indemnitee is not entitled to indemnification hereunder. No other form of undertaking shall be required other than the execution of this Agreement.

3.2 Timing. Without limiting the generality or effect of the foregoing and except in the circumstances set forth in Section 2.4, within five (5) business days after any request by Indemnitee, the Corporation shall, in accordance with such request, (a) pay such Expenses payable in accordance with this Article 3 on behalf of Indemnitee, (b) advance to Indemnitee funds in an amount sufficient to pay such Expenses payable in accordance with this Article 3, or (c) reimburse Indemnitee for such Expenses payable in accordance with this Article 3. In connection with any request for an Expense Advance, Indemnitee shall not be required to provide any documentation or information to the extent that the provision thereof would undermine or otherwise jeopardize attorney-client privilege.

ARTICLE 4
CONTRIBUTION IN THE EVENT OF JOINT LIABILITY

4.1 Contribution by Corporation.

(a) Whether or not the indemnification or Expense Advance provided in Articles 2 or 3, respectively, is available (other than when not available as a result of the circumstances set forth in Section 2.4), in respect of any Applicable Proceeding in which the Corporation is jointly liable with Indemnitee (or would be if joined in such Proceeding), the Corporation shall, to the fullest extent permitted by law, settle and/or pay, in the first instance, the entire amount of any Expenses or Losses of such Applicable Proceeding (including whether payment is sought by the judgment creditor, or his, her or its successor or assigns, to be collected against the Corporation or the Indemnitee alone, or together) without requiring Indemnitee to contribute to such settlement or payment and the Corporation hereby waives and relinquishes any right of contribution it may have against Indemnitee. The Corporation shall not enter into any settlement of any Applicable Proceeding in which the Corporation is jointly liable with Indemnitee (or would be if joined in such Proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

(b) Without diminishing or impairing the obligations of the Corporation set forth in the preceding Section 4.1(a), if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any judgment or settlement in any threatened, pending or completed Applicable Proceeding in which the Corporation is jointly liable with Indemnitee (or would be if joined in such Proceeding), except in the circumstances set forth in Section 2.4, the Corporation shall, to the fullest extent permitted by law, pay to Indemnitee the entire amount of any judgment or settlement of such Applicable Proceeding without requiring Indemnitee to contribute to such payment and the Corporation hereby waives and relinquishes any right of contribution it may have against Indemnitee. Indemnitee shall not enter into any settlement of any Applicable Proceeding in which the Corporation is jointly liable with Indemnitee (or would be if joined in such Proceeding) unless such settlement provides for a full and final release of all claims asserted against the Corporation.

(c) To the fullest extent permitted by law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever (including due to an election by Indemnitee), except in the circumstances set forth in Section 2.4, the Corporation, in lieu of indemnifying Indemnitee, will contribute to the amount of Expenses and Losses incurred or paid by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any Applicable Proceeding in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Applicable Proceeding in order to reflect (i) the relative benefits received by the Corporation (and its officers, directors, employees and agents) and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Applicable Proceeding and/or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, both the relative benefits referred to in clause (i) and the relative fault of the Corporation (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s). In connection with the registration of the Corporation's securities, the relative benefits received by the Corporation and Indemnitee shall be deemed to be in the same respective proportions that the net proceeds from the offering (before deducting expenses) received by the Corporation and Indemnitee, in each case as set forth in the table on the cover page of the applicable prospectus, bear to the aggregate public offering price of the securities so offered. The relative fault of the Corporation and Indemnitee shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Corporation or Indemnitee and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Corporation and Indemnitee agree that it would not be just and equitable if contribution pursuant to this Section 4.1 were determined by pro rata or per capita allocation or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 4.1. In connection with the registration of the Corporation's securities, in no event shall Indemnitee be required to contribute any amount under this Section 4.1 in excess of the lesser of (i) that proportion of the total of such losses, claims, damages or liabilities indemnified against equal to the proportion of the total securities sold under such registration statement which is being sold by Indemnitee or (ii) the proceeds received by Indemnitee from its sale of securities under such registration statement. No person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act of 1933, as amended) shall be entitled to contribution from any person who was not found guilty of such fraudulent misrepresentation.

4.2 Indemnification for Contribution Claims by Others. Except in the circumstances set forth in Section 2.4, to the fullest extent permitted by law, the Corporation will fully indemnify and hold Indemnitee harmless from any claims of contribution which may be brought by other officers, directors or employees of the Corporation who may be jointly liable with Indemnitee for any Loss or Expense arising from an Applicable Proceeding.

4.3 Partial Indemnity. Except in the circumstances set forth in Section 2.4, if Indemnitee is entitled under any provision of this Agreement to indemnification by the Corporation for a portion of any Losses in respect of an Applicable Proceeding but not for the total amount thereof, the Corporation shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

ARTICLE 5
PROCEDURES AND PRESUMPTIONS FOR THE DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION

5.1 Notification of Claims; Request for Indemnification. Indemnitee agrees to notify promptly the Corporation in writing, which may include via electronic means, of any claim made against Indemnitee for which indemnification or Expense Advance will or could be sought under this Agreement, which shall include a description of the nature of the Applicable Proceeding and the facts underlying the Applicable Proceeding, in each case, to the extent available; *provided, however*, that a delay in giving such notice will not deprive Indemnitee of any right to be indemnified under this Agreement unless, and then only to the extent that, the Corporation did not otherwise learn of the Applicable Proceeding and such delay is materially prejudicial to the Corporation's ability to defend such Applicable Proceeding; and, *provided*, *further, however*, that notice will be deemed to have been given without any action on the part of Indemnitee in the event the Corporation is a party to the same Applicable Proceeding. The omission to notify the Corporation will not relieve the Corporation from any liability which it may have to Indemnitee otherwise than under this Agreement. Indemnitee may deliver to the Corporation a written request to have the Corporation indemnify and hold harmless Indemnitee in accordance with this Agreement. Subject to Section 5.9, such request may be delivered from time to time and at such time(s) as Indemnitee deems appropriate in his or her sole discretion. Following such a written request for indemnification, Indemnitee's entitlement to indemnification shall be determined according to Section 5.2. The Secretary of the Corporation will, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification. The Corporation will be entitled to participate in any Applicable Proceeding at its own expense. If at the time of the receipt of such notice, the Corporation has D&O Insurance or any other insurance in effect under which coverage for Applicable Proceedings is potentially available, the Corporation shall give prompt written notice to the applicable insurers in accordance with the procedures, provisions, and terms set forth in the applicable policies. The Corporation shall provide to Indemnitee a copy of such notice delivered to the applicable insurers, and copies of all subsequent correspondence between the Corporation and such insurers regarding such Applicable Proceeding, in each case substantially concurrently with the delivery or receipt thereof by the Corporation. The Corporation shall keep Indemnitee substantially concurrently advised of all communications, regardless of method, with such insurers. Indemnification shall be made insofar as the Corporation determines Indemnitee is entitled to indemnification in accordance with Section 5.2 below.

5.2 Determination of Right to Indemnification. Upon written request by Indemnitee for indemnification pursuant to Section 5.1 with respect to any Applicable Proceeding, a determination with respect to Indemnitee's entitlement thereto will be made by one of the following, at the election of Indemnitee: (a) so long as there are Disinterested Directors with respect to such Applicable Proceeding, a majority vote of the Disinterested Directors, even if less than a quorum of the Board, (b) so long as there are Disinterested Directors with respect to such Applicable Proceeding, a committee of such Disinterested Directors designated by a majority vote of such Disinterested Directors, even though less than a quorum of the Board or (c) Independent Counsel in a writing delivered to the Board, a copy of which will also be delivered to Indemnitee. The election by Indemnitee to use a particular person, persons or Enterprise to make such determination is to be included in the written request for indemnification submitted by Indemnitee (and if no election is made in the request it will be assumed that Indemnitee has elected the Independent Counsel to make such determination). The person, persons or Enterprise chosen to make a determination under this Agreement of the Indemnitee's entitlement to indemnification will act reasonably and in good faith in making such determination.

5.3 Selection of Independent Counsel. If the determination of entitlement to indemnification pursuant to Section 5.2 will be made by an Independent Counsel, the Independent Counsel will be selected as provided in this Section 5.3. The Independent Counsel will be selected by the Board within the later of fifteen (15) days of receipt from the Indemnitee of a written request for indemnification pursuant to Section 5.1 and the final disposition of the Applicable Proceeding. The Corporation will give written notice to Indemnitee advising him or her of the identity of the Independent Counsel so selected. The Indemnitee may, within ten (10) days after such written notice of selection is given, deliver to the Corporation a written objection, which may be made via electronic means, to such selection; *provided*, *however*, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of “Independent Counsel” as defined in this Agreement, and the objection will set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected will act as Independent Counsel. If a written objection is made and substantiated, the Independent Counsel selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within thirty (30) days after the later of the submission by Indemnitee of a written request for indemnification pursuant to Section 5.1 and the final disposition of the Applicable Proceeding, no Independent Counsel is selected, or an Independent Counsel for which an objection thereto has been properly made remains unresolved, either the Corporation or Indemnitee may petition the Court of Chancery of the State of Delaware or other court of competent jurisdiction for resolution of any objection that has been made by Indemnitee to the Corporation’s selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court may designate, and the person with respect to whom all objections are so resolved or the person so appointed will act as Independent Counsel under Section 5.2. Except in the circumstances set forth in Section 2.4, the Corporation will pay any and all fees and expenses incurred by such Independent Counsel in connection with acting pursuant to Section 5.2, and the Corporation will pay all fees and expenses incident to the procedures of this Section 5.3, regardless of the manner in which such Independent Counsel was selected or appointed.

5.4 Burden of Proof. In making a determination with respect to entitlement to indemnification hereunder, the person, persons or entity making such determination will, to the fullest extent not prohibited by law, presume that Indemnitee is entitled to indemnification under this Agreement, except in the circumstances set forth in Section 2.4. Anyone seeking to overcome this presumption will, to the fullest extent not prohibited by law, have the burden of proof and the burden of persuasion, by clear and convincing evidence. In making a determination with respect to entitlement to indemnification hereunder which under this Agreement, the Constituent Documents, the D&O Insurance or applicable law requires a determination of Indemnitee’s good faith and/or whether Indemnitee acted in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation and/or with respect to any criminal Proceeding, whether Indemnitee had reasonable cause to believe his or her conduct was unlawful, the person, persons or Enterprise making such determination will, to the fullest extent not prohibited by law, presume that Indemnitee has at all times acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal Proceeding, he or she had no reasonable cause to believe his or her conduct was unlawful. Anyone seeking to overcome this presumption will, to the fullest extent not prohibited by law, have the burden of proof and the burden of persuasion, by clear and convincing evidence. Indemnitee will be deemed to have acted in good faith if Indemnitee’s action with respect to the Corporation or a particular Enterprise (that Indemnitee is or was serving in an Enterprise Corporate Status at the request of the Corporation) is based on the records or books of account of the Corporation or such other Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Corporation or such other Enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or such other Enterprise or on information or records given or reports made to the Corporation or such other Enterprise by an independent certified public accountant or by an appraiser or other expert selected by the Corporation or such other Enterprise; *provided*, *however*, that this sentence will not be deemed to limit in any way the other circumstances in which Indemnitee may be deemed to have met such standard of conduct. In addition, the knowledge and/or actions, or failure to act, of any other director, manager, officer, agent or employee of the Corporation or such other

Enterprise will not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

5.5 No Presumption in Absence of a Determination or As Result of an Adverse Determination; Presumption Regarding Success. Neither the failure of any person, persons or Enterprise chosen to make a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief to make such determination, nor an actual determination by such person, persons or Enterprise that Indemnitee has not met such standard of conduct or did not have such belief, prior to or after the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under this Agreement under applicable law, will be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief. In addition, the termination of any Applicable Proceeding by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of *nolo contendere*, or its equivalent, will not create a presumption that Indemnitee did not meet any particular standard of conduct and with respect to any criminal Applicable Proceeding, that Indemnitee had reasonable cause to believe that his or her conduct was unlawful, or that Indemnitee had any particular belief or that a court has determined that indemnification is not permitted by this Agreement or applicable law. In the event that any Applicable Proceeding to which Indemnitee is a party is resolved in any manner other than by final adverse judgment (as to which all rights of appeal therefrom have been exhausted or lapsed) against Indemnitee (including, without limitation, settlement of such Applicable Proceeding with or without payment of money or other consideration) it will be presumed that Indemnitee has been successful on the merits or otherwise in such Applicable Proceeding.

5.6 Timing of Determination. The Corporation will use its reasonable best efforts to cause any determination required to be made pursuant to Section 5.2 to be made as promptly as practicable after Indemnitee has submitted a written request for indemnification pursuant to Section 5.1 and the final disposition of the Applicable Proceeding. If the person, persons or Enterprise chosen to make a determination does not make such determination within fifteen (15) days after the later of the date (a) the Corporation receives Indemnitee's request for indemnification pursuant to Section 5.1, (b) the final disposition of the Applicable Proceeding and (c) on which an Independent Counsel is selected pursuant to Section 5.3, if applicable (and all objections to such person, if any, have been resolved), the requisite determination of entitlement to indemnification will be deemed to have been made and Indemnitee will be entitled to such indemnification, so long as (i) Indemnitee has fulfilled his or her obligations pursuant to Section 5.8 and (ii) such indemnification is not prohibited under applicable law; *provided*, *however*, that such fifteen (15) day period may be extended for a reasonable time, not to exceed an additional ten (10) days, if the person, persons or Enterprise making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining of or evaluating of documentation and/or information relating thereto. Notwithstanding anything herein to the contrary, no determination as to entitlement of Indemnitee to indemnification under this Agreement shall be required to be made prior to the final disposition of the Applicable Proceeding.

5.7 Timing of Payments. All payments of Expenses, including any Expense Advance, and other amounts by the Corporation to the Indemnitee pursuant to this Agreement will be made as soon as practicable after a written request or demand therefor by Indemnitee is presented to the Corporation, but in no event later than fifteen (15) business days after (a) such demand is presented or (b) such later date as a determination of entitlement to indemnification is made in accordance with Section 5.6, if applicable; *provided*, *however*, that an Expense Advance will be made within the time provided in Section 3.2.

5.8 Cooperation. Indemnitee will cooperate with the person, persons or Enterprise making a determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or Enterprise, upon reasonable advance request, any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Expenses incurred by Indemnitee in so cooperating with the person, persons or Enterprise making such determination will be borne by the Corporation (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Corporation will indemnify Indemnitee therefor and will hold Indemnitee harmless from any Losses arising therefrom.

5.9 **Time for Submission of Request**. Indemnitee will be required to submit any request for Indemnification pursuant to this Article 5 within a reasonable time, not to exceed two (2) years, after any judgment, order, settlement, dismissal, arbitration award, conviction, acceptance of a plea of *nolo contendere* (or its equivalent) or other full or partial final determination or disposition of the Applicable Proceeding (with the latest date of the occurrence of any such event to be considered the commencement of the two (2) year period).

ARTICLE 6
LIABILITY INSURANCE

6.1 **Corporation Insurance**. The Corporation will obtain and maintain D&O Insurance with one or more reputable insurance companies providing Indemnitee with coverage in such amount as will be determined by the Board for Losses and Expenses paid or incurred by Indemnitee as a result of acts or omissions of Indemnitee in his or her Corporate Status, and to ensure the Corporation's performance of its indemnification obligations under this Agreement; *provided*, *however*, that in all policies of D&O Insurance obtained by the Corporation, Indemnitee will be named as an insured party in such manner as to provide Indemnitee with the same rights and benefits as are afforded to the most favorably insured officers of the Corporation under such policies; *provided, further,* for the duration of Indemnitee's service in a Corporate Status, and thereafter for so long as Indemnitee may be subject to any possible Applicable Proceeding, the Corporation shall use best efforts to continue to maintain in effect policies of D&O Insurance providing coverage that is at least substantially comparable in scope and amount to that provided by the Corporation's current policies of D&O Insurance. Any reductions to the amount of D&O Insurance coverage maintained by the Corporation as of the date hereof will be subject to the approval of the Board. Upon request, the Corporation will provide to Indemnitee copies of all D&O Insurance applications, binders, policies, declarations, endorsements and other related materials.

6.2 **Notice to Insurers**. If, at the time of receipt by the Corporation of a notice from any source of a Applicable Proceeding as to which Indemnitee is a party or participant, the Corporation will give prompt notice of such Applicable Proceeding to the insurers in accordance with the procedures set forth in the respective D&O Insurance, and the Corporation will provide Indemnitee with a copy of such notice and copies of all subsequent correspondence between the Corporation and such insurers related thereto. The Corporation will thereafter take all necessary or desirable actions to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such Applicable Proceeding in accordance with the terms of such D&O Insurance.

ARTICLE 7
REMEDIES OF INDEMNITEE

7.1 **Action by Indemnitee**. In the event that (a) a determination is made pursuant to Article 5 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (b) an Expense Advance is not timely made pursuant to Section 3.2 of this Agreement, (c) no determination of entitlement to indemnification is made within the applicable time periods specified in Section 5.6, (d) payment of indemnified amounts is not made within the applicable time periods specified in Section 5.7 or (e) the Corporation or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or Proceeding designed to deny, or to recover from, Indemnitee the benefits provided or intended to be provided to Indemnitee hereunder, Indemnitee will be entitled to an adjudication in an appropriate court of the State of Delaware, or in any other court of competent jurisdiction, of his or her entitlement to such indemnification or payment of an Expense Advance. Alternatively, Indemnitee, at Indemnitee's option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The provisions of Delaware law (without regard to its conflict of laws rules) will apply to any such arbitration. The Corporation will not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

7.2 ***De Novo* Review if Prior Adverse Determination**. Except in the circumstances set forth in Section 2.4 (a), in the event that a determination is made pursuant to Article 5 that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Article 7 will be conducted in all respects as a *de novo* trial or arbitration, as applicable, on the merits and Indemnitee will not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Article 7, Indemnitee will be presumed to be entitled to indemnification under this Agreement, the Corporation will have the burden of proving Indemnitee is not entitled to indemnification and the Corporation may not refer to or introduce evidence of any determination pursuant to Article 5 adverse to Indemnitee for any purpose. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Article 7, Indemnitee will not be required to reimburse the Corporation for any Expense Advance made pursuant to Article 3 until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed).

7.3 **Corporation Bound by Favorable Determination by Reviewing Party**. If a determination is made that Indemnitee is entitled to indemnification pursuant to Article 5, the Corporation will be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Article 7, absent (a) a misstatement by Indemnitee of a material fact or an omission of a material fact necessary to make Indemnitee's statements in connection with the request for indemnification not materially misleading or (b) a prohibition of such indemnification under law.

7.4 **Corporation Bears Expenses if Indemnitee Seeks Adjudication**. Notwithstanding anything to the contrary in this Agreement, in the event that (i) Indemnitee, pursuant to this Article 7 and except in the circumstances set forth in Section 2.4(a), seeks a Proceeding, judicial adjudication or arbitration of his or her rights under (or the interpretation thereof), or to recover damages for breach of, this Agreement, any other agreement for indemnification, the indemnification or advancement of expenses provisions in the Constituent Documents, payment of Expenses in advance or contribution hereunder or to recover under any director and officer liability insurance policies (including the D&O Insurance) maintained by the Corporation or (ii) the Corporation seeks a Proceeding against the Indemnitee seeking (1) to recover amounts previously advanced to Indemnitee, (2) to enforce the Corporation's rights under or to interpret the terms of this Agreement or (3) to recover damages for breach of this Agreement, the Corporation will, to the fullest extent permitted by law, indemnify and hold harmless Indemnitee against any and all Expenses which are paid or incurred by Indemnitee in connection with such judicial adjudication or arbitration, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, payment of Expenses in advance or contribution or insurance recovery. In addition, if requested by Indemnitee, the Corporation will (within five (5) days after receipt by the Corporation of the written request therefor), pay as an Expense Advance such Expenses, to the fullest extent permitted by law. Indemnitee shall be required to reimburse the Corporation for such Expense Advance in the event that a final judicial determination is made that any action brought by Indemnitee was frivolous or not made in good faith.

7.5 Corporation Bound by Provisions of this Agreement. The Corporation will be precluded from asserting in any judicial or arbitration proceeding commenced pursuant to this Article 7 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and will stipulate in any such judicial or arbitration proceeding that the Corporation is bound by all the provisions of this Agreement.

ARTICLE 8
NON-EXCLUSIVITY, SUBROGATION; NO DUPLICATIVE PAYMENTS

8.1 Non-Exclusivity. The rights of indemnification and to receive Expense Advances as provided by this Agreement will not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Constituent Documents, any D&O Insurance, any other agreement (other than any Existing Agreement), a vote of equityholders, a resolution of the directors or otherwise. To the extent Indemnitee otherwise would have any greater right to indemnification or payment of any advancement of Expenses under any other provisions under applicable law, the Constituent Documents, any insurance policy, including the D&O Insurance, any agreement (other than any Existing Agreement), vote of equityholders, a resolution of the directors or otherwise, except in the circumstances set forth in Section 2.4, Indemnitee will be entitled under this Agreement to such greater right. No amendment, alteration or repeal of this Agreement or of any provision hereof limits or restricts any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee prior to such amendment, alteration or repeal. To the extent that a change in the DGCL, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the Constituent Documents, the D&O Insurance and this Agreement, it is the intent of the parties hereto that Indemnitee enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy will be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, will not prevent the concurrent assertion or employment of any other right or remedy. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken while serving in an indemnified capacity even though he may have ceased to serve in such capacity at the time of any action or other covered Applicable Proceeding.

8.2 Subrogation. Except as provided in Section 8.3, in the event of any payment by the Corporation under this Agreement, the Corporation will be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee with respect thereto and Indemnitee will execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Corporation to bring suit to enforce such rights (it being understood that all of Indemnitee's reasonable Expenses related thereto will be borne by the Corporation).

8.3 No Duplicative Payments. The Corporation will not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or any Expense for which advancement is provided) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise, except as provided in this Section 8.3. The Corporation's obligation to indemnify or advance Expenses hereunder to Indemnitee in respect of Applicable Proceedings relating to Indemnitee's service at the request of the Corporation in an Enterprise Corporate Status of any other Enterprise will be reduced by any amount Indemnitee has actually received as indemnification or advancement of Expenses from such other Enterprise, except as provided in this

Section 8.3. The Corporation hereby acknowledges that Indemnitee may have certain rights to indemnification, advancement of Expenses and/or insurance provided by Other Indemnitors. The Corporation hereby agrees, to the extent it is determined pursuant to the terms and conditions of this Agreement that the Corporation has an indemnification or Expense Advance obligation to Indemnitee for a particular matter, (a) that it is the indemnitor of first resort (*i.e.*, its obligations to Indemnitee are primary and any obligation of any Other Indemnitor to advance expenses or to provide indemnification for the same Expenses or liabilities incurred by Indemnitee are secondary), (b) that it shall be required to advance the full amount of Expenses incurred by Indemnitee and shall be liable for the full amount of all Losses to the extent legally permitted and as required by the terms of this Agreement, the D&O Insurance, the Constituent Documents (or any other agreement between the Corporation and Indemnitee (other than any Existing Agreement)), without regard to any rights Indemnitee may have against the Other Indemnitors and (c) that it irrevocably waives, relinquishes and releases the Other Indemnitors from any and all claims against the Other Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Corporation further agrees that no advancement or payment by the Other Indemnitors on behalf of Indemnitee with respect to any claim for which Indemnitee has sought indemnification from the Corporation shall affect the foregoing and the Other Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of Indemnitee against the Corporation. The Corporation and Indemnitee agree that the Other Indemnitors are express third party beneficiaries of the terms of this Section 8.3.

ARTICLE 9
DEFENSE OF PROCEEDINGS

9.1 Corporation Assuming the Defense. Subject to Section 9.3 below, in the event the Corporation is obligated pursuant to Article 3 to pay in advance the Expenses of any Applicable Proceeding, the Corporation will be entitled, by written notice to Indemnitee, to assume the defense of such Applicable Proceeding, with counsel approved by Indemnitee, which approval will not be unreasonably withheld. The Corporation will identify the counsel it proposes to employ in connection with such defense as part of the written notice sent to Indemnitee notifying Indemnitee of the Corporation's election to assume such defense, and Indemnitee will be required, within ten (10) days following Indemnitee's receipt of such notice, to inform the Corporation of its approval of such counsel or, if it has objections, the reasons therefor. If such objections cannot be resolved by the parties, the Corporation will identify alternative counsel, which counsel will also be subject to approval by Indemnitee in accordance with the procedure described in the prior sentence.

9.2 Right of Indemnitee to Employ Counsel. Following approval of counsel by Indemnitee pursuant to Section 9.1 and retention of such counsel by the Corporation, the Corporation will not be liable to Indemnitee under this Agreement for any fees and expenses of counsel subsequently incurred by Indemnitee with respect to the same Applicable Proceeding; *provided*, *however*, that (a) Indemnitee has the right to employ counsel in any such Applicable Proceeding at Indemnitee's expense and (b) the Corporation will be required to pay the fees and expenses of Indemnitee's counsel if (i) the employment of counsel by Indemnitee has been previously authorized by the Corporation, (ii) Indemnitee reasonably concludes that there is an actual or potential conflict between the Corporation (or any other person or persons included in a joint defense) and Indemnitee in the conduct of such defense or representation by such counsel retained by the Corporation or (iii) the Corporation does not continue to retain the counsel approved by Indemnitee.

9.3 Corporation Not Entitled to Assume Defense. Notwithstanding Section 9.1, the Corporation will not be entitled to assume the defense of any Applicable Proceeding brought by or on behalf of the Corporation or any Applicable Proceeding as to which Indemnitee has reasonably made the conclusion provided for in Section 9.2(b)(ii).

ARTICLE 10
SETTLEMENT

10.1 Corporation Bound by Provisions of this Agreement. Notwithstanding anything in this Agreement to the contrary, the Corporation will have no obligation to indemnify Indemnitee under this Agreement for any amounts paid in settlement of any Applicable Proceeding effected without the Corporation's prior written consent, which consent shall not be unreasonably withheld or delayed.

10.2 When Indemnitee's Prior Consent Required. The Corporation will not, without the prior written consent of Indemnitee, consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise in respect to an indemnifiable Applicable Proceeding hereunder which (a) includes an assignment of any claim or potential claim the Corporation may have against Indemnitee, any admission of fault of Indemnitee, any non-monetary remedy imposed on Indemnitee or a Loss for which Indemnitee is not wholly indemnified hereunder or (b) with respect to any Applicable Proceeding with respect to which Indemnitee may be or is made a party or a participant or may be or is otherwise entitled to seek indemnification hereunder, does not include, as an unconditional term thereof, the full release of Indemnitee from all liability in respect of such Proceeding, which release will be in form and substance reasonably satisfactory to Indemnitee. Notwithstanding anything to the contrary, neither the Corporation nor Indemnitee will unreasonably withhold its consent to any proposed settlement; *provided*, *however*, that Indemnitee may withhold consent to any settlement that does not provide a full and unconditional release of Indemnitee from all liability in respect of such Proceeding.

ARTICLE 11
DURATION OF AGREEMENT; OTHER ACTIVITIES

11.1 Duration of Agreement.

(a) This Agreement will continue until and terminate upon the latest of (a) the statute of limitations applicable to any claim that could be asserted against an Indemnitee with respect to which Indemnitee may be entitled to indemnification and/or an Expense Advance under this Agreement, (b) ten (10) years after the date that Indemnitee has ceased to serve as in a Corporate Status of the Corporation or its direct or indirect subsidiaries or in an Enterprise Corporate Status in any other Enterprise which Indemnitee served at the request of the Corporation or (c) if, at the later of the dates referred to in (a) and (b) above, there is pending Applicable Proceeding in respect of which Indemnitee is granted rights of indemnification or the right to an Expense Advance under this Agreement or a Proceeding commenced by Indemnitee pursuant to Article 7 of this Agreement, one (1) year after the final termination of such Applicable Proceeding, including any and all appeals. This Agreement and the indemnification and contribution provisions set forth herein are of a continuing nature and will remain in full force and effect regardless of any investigation made by or on behalf of Indemnitee or any officer, director, employee, agent or controlling person of Indemnitee.

(b) No legal action shall be brought and no cause of action shall be asserted by or in the right of the Corporation or any affiliate of the Corporation against Indemnitee, Indemnitee's estate, spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Corporation shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; *provided*, *however*, that if any shorter period of limitations is otherwise applicable to any such cause of actions, such shorter period shall govern.

ARTICLE 12
MISCELLANEOUS

12.1 Entire Agreement. This Agreement constitutes the entire agreement and understanding of the parties in respect of the subject matter hereof and supersedes all prior understandings, agreements or representations by or among the parties, written or oral, to the extent they relate in any way to the subject matter hereof; *provided*, *however*, that it is agreed that the provisions contained in this Agreement are a supplement to, and not a substitute for, any provisions regarding the same subject matter contained in the Constituent Documents, any D&O Insurance policy and any employment or similar agreement between the parties (other than any Existing Agreement).

12.2 Assignment; Binding Effect; Third Party Beneficiaries. No party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other party and any such assignment by a party without prior written approval of the other parties will be deemed void *ab initio* and not binding on such other parties. All of the terms, agreements, covenants, representations, warranties and conditions of this Agreement are binding upon, and inure to the benefit of and are enforceable by, the parties and their respective successors, permitted assigns, heirs, executors and personal and legal representatives. Except as set forth in Section 8.3, there are no third party beneficiaries having rights under or with respect to this Agreement. The Corporation shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Corporation, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform if no such succession had taken place. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve in a Corporate Status, any of its direct or indirect subsidiaries or in an Enterprise Corporate Status in any other Enterprise at the Corporation's request.

12.3 Notices. All notices, requests and other communications provided for or permitted to be given under this Agreement must be in writing and be given by personal delivery, by certified or registered United States mail (postage prepaid, return receipt requested), by a nationally recognized overnight delivery service for next day delivery, by facsimile transmission or by electronic mail (with receipt acknowledged by the recipient other than by automatic means), as follows (or to such other address as any party may give in a notice given in accordance with the provisions hereof):

(a) If to the Indemnitee, to the address set forth on the signature page hereto.

(b) If to the Corporation, to:

Papa John's International, Inc.
2002 Papa Johns Boulevard
Louisville, Kentucky 40299

with a copy (which shall not constitute notice) to:

Hogan Lovells US LLP
555 13th St NW
Washington, DC 20004
Facsimile: (202) 637-5910
Attention: John B. Beckman
Email: john.beckman@hoganlovells.com

All notices, requests or other communications will be effective and deemed given in accordance with this Section 12.3 and shall be deemed received as follows: (a) if given by personal delivery, upon such personal delivery, (b) if sent by certified or registered mail, on the fifth (5th) business day after being deposited in the United States mail, (c) if sent for next day delivery by overnight delivery service, on the date of delivery as confirmed by written confirmation of delivery, or (d) if sent by facsimile or electronic mail, upon confirmation of receipt of such facsimile transmission or electronic mail, except that if such confirmation is received after 5:00 p.m. (in the recipient's time zone) on a business day, or is received on a day that is not a business day, then such notice, request or communication will not be deemed effective or given until the next succeeding business day. Notices, requests and other communications sent in any other manner, including by electronic mail, will not be effective.

12.4 Specific Performance; Remedies. Each party acknowledges and agrees that the other party would be damaged irreparably if any provision of this Agreement were not performed in accordance with its specific terms or were otherwise breached. Accordingly, the parties will be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and its provisions in any action or proceeding instituted in any state or federal court sitting in the State of Delaware having jurisdiction over the parties and the matter, in addition to any other remedy to which they may be entitled, at law or in equity. Except as expressly provided herein, the rights, obligations and remedies created by this Agreement are cumulative and in addition to any other rights, obligations or remedies otherwise available at law or in equity. Except as expressly provided herein, nothing herein will be considered an election of remedies.

12.5 Submission to Jurisdiction. Any Proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement may be brought in any state or federal court sitting in the State of Delaware having jurisdiction over the parties and the matter, and each party consents to the non-exclusive jurisdiction and venue of such court (and of the appropriate appellate courts therefrom) in any such Proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such Proceeding in any such court or that any such Proceeding brought in any such court has been brought in an inconvenient forum. Process in any such action, suit or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court, and each party hereto hereby agrees that notice in accordance with Section 12.3 shall constitute effective service of process in any such Proceeding.

12.6 Headings. The article and section headings contained in this Agreement are inserted for convenience only and will not affect in any way the meaning or interpretation of this Agreement.

12.7 Governing Law. This Agreement and the legal relations among the parties hereto will be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any choice of law principles.

12.8 Amendment. This Agreement may not be amended or modified except by a writing signed by all of the parties.

12.9 Extensions; Waivers. Any party may, for itself only, (a) extend the time for the performance of any of the obligations of any other party under this Agreement, (b) waive any inaccuracies in the representations and warranties of any other party contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions for the benefit of such party contained herein. Any such extension or waiver will be valid only if set forth in a writing signed by the party to be bound thereby. No waiver by any party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, may be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising because of any prior or subsequent such occurrence. Neither the failure nor any delay on the part of any party to exercise any right or remedy under this Agreement will operate as a waiver thereof, nor will any single or partial exercise of any right or remedy preclude any other or further exercise of the same or of any other right or remedy.

12.10 **Severability**. The provisions of this Agreement will be deemed severable and the invalidity or unenforceability of any provision will not affect the validity or enforceability of the other provisions hereof; *provided, however,* that if any provision of this Agreement, as applied to any party or to any circumstance, is judicially determined not to be enforceable in accordance with its terms, the parties agree that the court judicially making such determination may modify the provision in a manner consistent with its objectives such that it is enforceable, and/or to delete specific words or phrases, and in its modified form, such provision will then be enforceable and will be enforced.

12.11 **Counterparts; Effectiveness**. This Agreement may be executed in two or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument. This Agreement will become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, which delivery may be made by exchange of copies of the signature page by facsimile, portable document format (.pdf), or other electronic transmission.

12.12 **Construction**. This Agreement has been freely and fairly negotiated among the parties. If an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties and no presumption or burden of proof will arise favoring or disfavoring any party because of the authorship of any provision of this Agreement. Any reference to any law will be deemed also to refer to such law as amended and all rules and regulations promulgated thereunder, unless the context requires otherwise. The words “include,” “includes,” and “including” will be deemed to be followed by “without limitation.” Pronouns in masculine, feminine, and neuter genders will be construed to include any other gender, and words in the singular form will be construed to include the plural and vice versa, unless the context otherwise requires. The words “this Agreement,” “herein,” “hereof,” “hereby,” “hereunder,” and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The parties intend that each representation, warranty, and covenant contained herein will have independent significance. If any party has breached any representation, warranty, or covenant contained herein in any respect, the fact that there exists another representation, warranty or covenant relating to the same subject matter (regardless of the relative levels of specificity) which the party has not breached will not detract from or mitigate the fact that the party is in breach of the first representation, warranty, or covenant. Time is of the essence in the performance of this Agreement.

12.13 **Enforcement.**

(a) The Corporation expressly confirms and agrees that it has entered into this Agreement and assumes the obligations imposed on it hereby in order to induce Indemnitee to serve in a Corporate Status, and the Corporation acknowledges that Indemnitee is relying upon this Agreement in serving in a Corporate Status.

(b) The Corporation shall not seek from a court, or agree to, a “bar order” which would have the effect of prohibiting or limiting the Indemnitee’s rights to receive advancement of Expenses under this Agreement.

[*Signature pages follow*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

PAPA JOHN'S INTERNATIONAL, INC.

By: ______________________________

Name: ______________________________

Title: ______________________________

INDEMNITEE

____
Signature

____
Print Name:

Address: __________________________________
____
____

Indemnification Agreement Signature Page

Exhibit 10.3

INDEMNIFICATION AGREEMENT

August 6, 2003

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INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (the "Agreement") is entered into and effective as of August 6, 2003, by and between PAPA JOHN'S INTERNATIONAL, INC., a Delaware corporation (the "Company"), and JOHN H. SCHNATTER ("Indemnitee").

RECITALS:

A. The Company and Indemnitee recognize the continued difficulty in obtaining liability insurance for corporate directors, officers, employees, controlling persons, agents and fiduciaries, the significant increases in the cost of such insurance and the general reductions in the coverage of such insurance.

B. The Company and Indemnitee further recognize the substantial increase in corporate litigation in general, subjecting directors, officers, employees, controlling persons, agents and fiduciaries to expensive litigation risks at the same time as the availability and coverage of liability insurance has been severely limited.

C. The stockholders of the Company have adopted Bylaws (the "Bylaws") providing for the indemnification of the officers, directors, agents and employees of the Company to the maximum extent authorized by Section 145 of the Delaware General Corporations Law, as amended (the "DGCL").

D. Indemnitee does not regard the current protection available for the Company's directors, officers, employees, controlling persons, agents and fiduciaries as adequate under the present circumstances, and Indemnitee and other directors, officers, employees, controlling persons, agents and fiduciaries of the Company may not be willing to serve or continue to serve in such capacities without additional protection.

E. The Bylaws and the DGCL, by their non-exclusive nature, permit contracts between the Company and the members of its Board of Directors with respect to indemnification of such directors.

F. The Company (i) desires to attract and retain the involvement of highly qualified individuals, such as Indemnitee, to serve the Company and, in part, in order to induce Inde1m1itee to be involved with the Company and (ii) wishes to provide for the indemnification and advancing of expenses to Indemnitee to the maximum extent permitted by law.

G. In view of the considerations set forth above, the Company desires that Indemnitee be indemnified by the Company as set forth herein.

AGREEMENT:

Now, THEREFORE, the parties hereby agree as follows:

1. INDEMNIFICATION OF INDEMNITEE. The Company hereby agrees to indemnify Indemnitee to the fullest extent permitted by law, even if such indemnification is not specifically authorized by the other provisions of this Agreement, the Company's Certificate of Incorporation (the "Certificate"), the Bylaws or by statute. In the event of any change after the date of this Agreement in any applicable law, statute or rule which expands the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, controlling person, agent or fiduciary, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits afforded by such change. In the event of any change in any applicable law, statute or rule which narrows the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent or fiduciary, such change, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder except as set forth in Section 9(a) hereof.

2. ADDITIONAL INDEMNITY. The Company hereby agrees to hold harmless and indemnify the Indemnitee:

a. against any and all expenses incurred by Indemnitee, as set forth in Section 3(a) below; and

b. otherwise to the fullest extent not prohibited by the Certificate, Bylaws or the DGCL.

3. INDEMNIFICATION RIGHTS.

a. **Indemnification of Expenses.** The Company shall indemnify and hold harmless Indemnitee to the fullest extent permitted by law if Indemnitee was or is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, any threatened, pending or completed action, suit, proceeding or alternative dispute resolution mechanism, or any hearing, inquiry or investigation that Indemnitee believes might lead to the institution of any such action, suit, proceeding or alternative dispute resolution mechanism, whether civil, criminal, administrative, investigative or other (hereinafter a "Claim") against any and all expenses (including reasonable attorneys' fees and all other costs, expenses and obligations incurred in connection with investigating, defending, being a witness in or otherwise participating in (including on appeal), or preparing to defend, be a witness in or otherwise participate in (including on appeal), any such action, suit, proceeding, alternative dispute resolution mechanism, hearing, inquiry or investigation, judgments, fines, penalties and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) of such Claim (collectively, hereinafter "Expenses"), including all interest, assessments and other charges paid or payable in connection, with or in respect of such Expenses, incurred by Indemnitee by reason of (or arising in part out of) any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, controlling person, agent or fiduciary of the Company, or any subsidiary of the Company, or is or was serving at the request of the Company as a director, officer, employee, controlling person, agent or fiduciary of another corporation, partnership, joint venture, trust, plan or other enterprise, or by reason of any action or inaction on the part of Indemnitee while serving in such capacity including, without limitation, any and all losses, claims, damages, expenses and liabilities, joint or several (including any investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of, any action, suit, proceeding or any claim asserted) under the Securities Act of 1933 as amended (the "Securities Act"), the Securities Exchange Act of 1934 as amended (the "Exchange Act") or other federal or state statutory law or regulation, at common law or otherwise, which relate directly or indirectly to the registration, purchase, sale or ownership of any securities of the Company or to any fiduciary obligation owed with respect thereto (hereinafter an "Indemnification Event"). Such payment of Expenses shall be made by the Company as soon as practicable but in any event no later than twenty-five (25) days after written demand by Indemnitee therefor is presented to the Company.

b. **Reviewing Party.** Notwithstanding the foregoing, (i) the obligations of the Company under Section 2 shall be subject to the condition that the Reviewing Party (as described in Section 14(d) hereof) shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 3(e) hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) Indemnitee acknowledges and agrees that the obligation of the Company to make an advance payment of Expenses to Indemnitee pursuant to Section 4(a) (an "Expense Advance") shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). Indemnitee's obligation to reimburse the Company for any Expense Advance shall be unsecured and no interest shall be charged thereon. If there has not been a Change in Control (as defined in Section 12(b) hereof), the Reviewing Party shall be selected by a quorum of Disinterested Directors (defined below), and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 3(e) hereof. If there has been no determination by the Reviewing Party within 25 days or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

c. **Contribution.** If the indemnification provided for in Section 3(a) above for any reason is held by a court of competent jurisdiction to be insufficient or unavailable to Indemnitee in respect of any losses, claims, damages, expenses or liabilities referred to therein, then the Company, in lieu of indemnifying Indemnitee thereunder, shall contribute to the amount paid or payable by Indemnitee as a result of such losses, claims, damages, expenses or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and Indemnitee, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and Indemnitee in connection with the action or inaction which resulted in such losses, claims, damages, expenses or liabilities, as well as any other relevant equitable considerations. In connection with the registration of the Company's securities, the relative benefits received by the Company and Indemnitee shall be deemed to be in the same respective proportions that the net proceeds from the offering (before deducting expenses) received by the Company and the Indemnitee, in each case as set forth in the table on the cover page of the applicable prospectus, bear to the aggregate public offering price of the securities so offered. The relative fault of the Company and Indemnitee shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or Indemnitee and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and Indemnitee agree that it would not be just and equitable if contribution pursuant to this Section 3(c) were determined by pro rata or per capita allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. In c01mection with the registration of the Company's securities, in no event shall an Indemnitee be required to contribute any amount under this Section 3(c) in excess of the lesser of (i) that proportion of the total of such losses, claims, damages or liabilities indemnified against equal to the proportion of the total securities sold under such registration statement which is being sold by Indemnitee or (ii) the proceeds received by Indemnitee from its sale of securities under such registration statement. No person found guilty of fraudulent misrepresentation (within the meaning of Section 1l(f) of the Securities Act) shall be entitled to contribution from any person who was not found guilty of such fraudulent misrepresentation.

d. **Survival Regardless of Investigation.** This Agreement and the indemnification and contribution provisions set fo1ih herein are of a continuing nature and shall survive the expiration, termination or cancellation of this Agreement, and will remain in full force and effect regardless of any investigation made by or on behalf of Indemnitee or any officer, director, employee, agent or controlling person of Indemnitee.

e. **Change in Control.** After the date hereof, the Company agrees that if there is a Change in Control of the Company then, with respect to all matters thereafter arising concerning the rights of Indemnitee to payments of Expenses under this Agreement or any other agreement or under the Certificate or Bylaws as now or hereafter in effect, Independent Legal

Counsel (as defined in Section 12(c) hereof) shall be selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to abide by such opinion and to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all reasonable expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

f. Mandatory Payment of Expenses. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in the defense of any action, suit, proceeding, inquiry or investigation referred to in Section 3(a) hereof or in the defense of any claim, issue or matter therein, Indemnitee shall be indemnified against all Expenses incurred by Indemnitee in connection herewith.

4. EXPENSES; INDEMNIFICATION PROCEDURE.

a. **Advancement of Expenses.** The Company shall advance all Expenses incurred by Indemnitee. The advances to be made hereunder shall be paid by the Company to Indemnitee as soon as practicable but in any event no later than twenty-five (25) days after written demand by Indemnitee therefor to the Company.

b. **Notice/Cooperation by Indemnitee.** Indemnitee shall give the Company notice in writing as soon as practicable of any Claim made against Indemnitee for which indemnification will or could be sought under this Agreement, but the failure to notify the Company will not relieve it from any liability which it may have to Indemnitee unless the Company is materially prejudiced by such lack of notification. Notice to the Company shall be directed to the Chief Executive Officer of the Company at the address shown on the signature page of this Agreement (or such other address as the Company shall designate in writing to Indemnitee).

c. **No Presumptions; Burden of Proof.** For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law, shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder, it shall be presumed that Indemnitee is entitled to indemnification under this Agreement and the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

d. **Notice to Insurers.** If, at the time of the receipt by the Company of a notice of a Claim pursuant to Section 4(b) hereof, the Company has liability insurance in effect which may cover such Claim, the Company shall give prompt notice of the commencement of such Claim to the insurers in accordance with the procedures set forth in each of the policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such action, suit, proceeding, inquiry or investigation in accordance with the terms of such policies.

e. **Selection of Counsel.** In the event the Company shall be obligated hereunder to pay Expenses in connection with any Claim, the Company shall be entitled to assume the defense of such Claim, at its own expense, with counsel approved by the Indemnitee, which approval shall not be unreasonably withheld, upon the delive1y to Indemnitee of written notice of its election to do so. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Claim; provided that, (i) Indemnitee shall have the right to employ Indemnitee's counsel in any such Claim at Indemnitee's expense and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have reasonably concluded that there is a conflict of interest between the Company and Indemnitee in the conduct of any such defense, or (C) the Company shall not continue to retain such counsel to defend such Claim, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

5. **NONEXCLUSIVITY.** The indemnification provided by this Agreement shall be in addition to any rights to which Indemnitee may be entitled under the Certificate, the Bylaws, any agreement, any vote of stockholders or disinterested directors, the DGCL, or otherwise. The indemnification provided under this Agreement shall continue as to Indemnitee for any action Indemnitee took or did not take while serving in an indemnified capacity even though Indemnitee may have ceased to serve in such capacity.

6. NO DUPLICATION OF PAYMENTS. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indenu1itee has otherwise actually received payment (under any insurance policy, the Certificate, the Bylaws or otherwise) of the amounts otherwise indemnifiable hereunder, and Indemnitee shall remit to the Company any amounts paid by the Company for which Indemnitee is otherwise reimbursed.

7. PARTIAL INDEMNIFICATION. Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for any portion of Expenses incurred in connection with any Claim, but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such Expenses to which Indemnitee is entitled.

8. LIABILITY INSURANCE. The Company shall use its best efforts to maintain liability insurance, substantially similar to that which is in effect as of the date of this Agreement, as to all directors, officers, employees or agents of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise serving at the request of the Company in reasonable amounts from established and reputable insurers at all times when the Company may be obligated to indemnify or advance Expenses to Indemnitee hereunder. Notwithstanding the foregoing, the Company shall have no obligation to maintain such insurance if the Company determines in good faith, other than in anticipation of a Change in Control, that such insurance is not available or the premium costs are unreasonably disproportionate to the coverage provided. In the event the Company maintains policies of directors and officers liability insurance, Company agrees to provide the Indemnitee immediate notice of any lapse, cancellation or non-renewal of such insurance coverage and shall provide Indemnitee copies of all correspondence and notices from the Company's insurance agent, broker or carrier relating to any actual or potential lapse, non-renewal or cancellation.

9. EXCEPTIONS. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

a. **Claims Initiated by Indemnitee.** To indemnify or advance Expenses to Indemnitee with respect to Claims initiated or brought voluntarily by Indemnitee and not by way of defense, except (i) with respect to actions or proceedings to establish or enforce a right to indemnification under this Agreement or any other agreement or insurance policy or under the Certificate or the Bylaws now or hereafter in effect relating to Claims for Indemnification Events, (ii) in specific cases if the Board of Directors has approved the initiation or bringing of such Claim, or (iii) as otherwise required under Section 145 of the DGCL, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be; or

b. **Claims Under Section 16(b**). To indemnify Indemnitee for expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Exchange Act or any similar successor statute; or

c. **Claims Excluded Under Section 145 of the DGCL.** To indemnify Indemnitee if (i) he did not act in good faith or in a manner reasonably believed by Indemnitee to be in or not opposed to the best interests of the Company, or (ii) with respect to any criminal action or proceeding, Indemnitee had reasonable cause to believe his conduct was unlawful, or (iii) Indemnitee shall have been adjudged to be liable to the Company unless and only to the extent the court in which such action was brought shall permit indemnification as provided in Section 145(b) of the DGCL.

10. SETTLEMENTS. The Company shall not settle any Claim in any manner that would impose any penalty or limitation on Indemnitee without Indemnitee's written consent. Indemnitee will not unreasonably withhold its consent to any proposed settlement.

11. INDULGENCES, ETC. Neither the failure nor any delay on the part of either party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any right, remedy, power or privilege, nor shall any waiver of any right, remedy, power, or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence.

12. IMPUTED KNOWLEDGE. The knowledge and/or actions, or failure to act, of any director other than Indemnitee, officer, agent or employee of the Company (or any affiliate thereof) shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

13. PERIOD OF LIMITATIONS. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company or any affiliate of the Company against Indemnitee, Indemnitee's estate, spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

14. CONSTRUCTION OF CERTAIN PHRASES.

a. For purposes of this Agreement, (i) references to "other enterprises" shall include employee benefit plans; (ii) references to "fines" shall include any excise taxes assessed on any Indemnitee with respect to an employee benefit plan; and (iii) references to "serving at the request of the Company" shall include any service as a director, officer, employee, agent or fiduciary of the Company which imposes duties on, or involves services by, such director, officer, employee, agent or fiduciary with respect to an employee benefit plan, its participants or its beneficiaries. In the case of any such employee benefit plan, Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interests of the participants and beneficiaries of such employee benefit plan.

b. For purposes of this Agreement a "Change in Control" shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or John Schnatter and his affiliates and associates becomes the "beneficial owner" (as defined in Rule 13d-3 under said Exchange Act), directly or indirectly, of securities of the Company representing more than 50% of the total voting power represented by the Company's then outstanding Voting Securities, (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least two-thirds of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all of the Company's assets.

c. For purposes of this Agreement, "Independent Legal Counsel" shall mean an attorney or firm of attorneys, that is/are experienced in matters of Delaware corporate law, selected in accordance with the provisions of Section 3(b) hereof, who shall not have otherwise performed services for the Company or Indemnitee within the last three years (other than with respect to matters concerning the right of any Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements). Notwithstanding the foregoing, the term "Independent Legal Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Inde1m1itee's rights under this Agreement. If Independent Legal Counsel is selected by a quorum of Disinterested Directors to be the Reviewing Party, the Company shall give written notice to Indemnitee advising him of the identity of the Independent Legal Counsel so selected. Indemnitee may, within seven days after receipt of written notice, deliver to the Company a written objection to the selection. His objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of independent Counsel as defined in this Section 12(c), and the objection shall set forth with particularity the factual basis of the assertion. If written objection is made, the Independent Legal Counsel so selected shall be disqualified. If, within 20 days after submission by Indemnitee of a demand for indemnification pursuant to this Agreement, no Independent Legal Counsel shall have been selected, or if selected shall have been objected to, in accordance with this Section 12(c), either the Company or Indemnitee may petition a court of competent jurisdiction in the State of Delaware for the appointment as Independent Legal Counsel of a person selected by that court or by any other person that court shall designate, and the person so appointed shall act as Independent Legal Counsel.

d. For purposes of this Agreement, a "Reviewing Party" sf1all mean a quorum of Disinterested Directors or, if such a quorum is not obtainable or if such a quorum so directs, Independent Legal Counsel. Any decision by such a quorum must be by a majority vote of the quorum. "Disinterested Director" shall mean a director of the Company who is not and was not at any time a party to a Claim relating to an Indemnification Event.

e. For purposes of this Agreement, "Voting Securities" shall mean any securities of the Company that vote generally in the election of directors.

15. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall constitute an original, but all of which together will constitute one and the same instrument.

16. BINDING EFFECT; SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect with respect to Claims relating to Indemnification Events regardless of whether Indemnitee continues to serve as a director, officer, employee, agent, controlling person, or fiduciary of the Company or of any other enterprise, including subsidiaries of the Company, at the Company's request.

17. **ACTION UNDER AGREEMENT.** In the event that any action is instituted by Indemnitee under this Agreement or under any liability insurance policies maintained by the Company to enforce or interpret any of the terms hereof or thereof, Indemnitee shall be entitled to be paid all Expenses incurred by Indemnitee with respect to such action if Indemnitee is ultimately successful in such action, and shall be entitled to the advancement of Expenses (within 25 days of such request) with respect to such action, unless, as a part of such action, a court of competent jurisdiction over such action determines that the material assertions made by Indemnitee as a basis for such action were not made in good faith or were frivolous. In the event of an action instituted by or in the name of the Company under this Agreement to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all Expenses incurred by Indemnitee in defense of such action (including costs and expenses incurred with respect to Indemnitee counterclaims and cross-claims made in such action), and shall be entitled to the advancement of Expenses with respect to such action, unless, as a part of such action, a court having jurisdiction over such action determines that Indemnitee's material defenses to such action were made in bad faith or were frivolous.

18. **NOTICE.** All notices and other communications required or permitted hereunder shall be in writing, shall be effective when given, and shall in any event be deemed to be given (a) upon delivery, if delivered by hand, (b) one business day after the business day of deposit with Federal Express or similar overnight courier, freight prepaid, or (c) one day after the business day of delivery by facsimile transmission, if deliverable by facsimile transmission, with copy by first class mail, postage prepaid, and shall be addressed if to Indemnitee, at Indemnitee's address as set forth beneath Indemnitee's signature to this Agreement and if to the Company at the address of its principal corporate offices (attention: President) or at such other address as such party may designate by ten (10) days' advance written notice to the other party hereto.

19. **CONSENT TO JURISDICTION.** The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of Delaware for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be commenced, prosecuted and continued only in the Court of Chancery of the State of Delaware in and for New Castle County, which shall be the exclusive and only proper forum for adjudicating such a claim.

20. **SEVERABILITY.** The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitations, each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable, that is not itself invalid, void or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

21. **CHOICE OF LAW.** This Agreement shall be governed by and its provisions construed and enforced in accordance with the laws of the State of Delaware, as applied to contracts between Delaware residents, entered into and to be performed entirely within the State of Delaware, without regard to the conflict of laws principles thereof.

22. **SUBROGATION.** In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

23. AMENDMENT AND TERMINATION. No amendment, modification, termination or cancellation of this Agreement shall be effective unless it is in writing signed by all parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

24. **INTEGRATION AND ENTIRE AGREEMENT.** This Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral negotiations, commitments, understandings and agreements relating to the subject matter hereof between the parties hereto.

25. No CONSTRUCTION AS EMPLOYMENT AGREEMENT. Nothing contained in this Agreement shall be construed as giving the Indemnitee any right to be retained in the employ of the Company or any of its subsidiaries.

26. **CORPORATE AUTHORITY.** The Board of Directors of the Company has approved the terms of this Agreement.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date first written above.

COMPANY

PAPA JOHN'S INTERNATIONAL, INC.
a Delaware corporation

By: /s/ Charles W. Schnatter

INDEMNITEE

/s/ John H. Schnatter

Subsidiaries of the Company:

- Papa John’s USA, Inc., a Kentucky corporation
- PJ Food Service, Inc., a Kentucky corporation
- Trans Papa Logistics, Inc., a Kentucky corporation
- Preferred Marketing Solutions, Inc., a Kentucky corporation
- Risk Services Corp., a Kentucky corporation
- Capital Delivery, Ltd., a Kentucky corporation
- DEPZZA, Inc., a Delaware corporation
- Colonel’s Limited, LLC, a Virginia limited liability company
- PJ Holdings, LLC, a Delaware limited liability company
- Star Papa, LP, a Delaware limited partnership company
- Papa John’s Pizza, Ltd., a United Kingdom corporation
- Papa John’s (GB) Holdings Ltd., a United Kingdom corporation
- Papa John’s (GB), Ltd., a United Kingdom corporation
- Papa John’s Mexico, Inc., a Delaware corporation
- Papa John’s Capital, SRL de CV, a Mexican corporation
- Equipo Papa John’s, SRL de CV, a Mexican corporation
- Papa John’s EUM, SRL de CV, a Mexican corporation
- PJ Mexico Franchising SRL de CV, a Mexican corporation
- Papa John’s China, LLC, a Delaware limited liability company
- Papa John’s Beijing Co., Ltd., a Chinese corporation
- Tianjin Bangyuehan Catering Management Co., Ltd., a Chinese corporation
- PJ Minnesota, LLC, a Delaware limited liability company
- PJ Denver, LLC, a Delaware limited liability company
- PJ Chile, LLC, a Kentucky limited liability company
- PJI Chile, SpA, a Chilean corporation
- PJ North Georgia, LLC, a Kentucky limited liability company
- PJFS Canada, LLC, a Kentucky limited liability company
- PJ Asia, LLC, a Kentucky limited liability company
- Papa John’s (Beijing) Commercial Management Company Limited – China corporation
- Papa John’s Korea, Limited – Korean corporation

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Papa John's International, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-224770, 333-173893, 333-165154, 333-168562, 333-221218, 333-149468, 333-168561) on Form S-8 of Papa John's International, Inc. of our report dated March 8, 2019, with respect to the consolidated balance sheet of Papa John's International, Inc. and subsidiaries as of December 30, 2018, the related consolidated statements of operations, comprehensive income, stockholders' deficit, and cash flows for the year ended December 30, 2018, and the related notes and financial statement schedule (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of December 30, 2018, which report appears in the December 30, 2018 annual report on Form 10-K of Papa John's International, Inc.

Our report on the consolidated financial statements refers to a change in the method of accounting for revenue from contracts with customers in 2018 due to the adoption of the new revenue standard.

/s/ KPMG LLP

Louisville, Kentucky
March 8, 2019

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(i) Registration Statement (Form S-8 No. 333-149468) pertaining to the Papa John's International, Inc. Deferred Compensation Plan filed February 29, 2008,

(ii) Registration Statement (Form S-8 No. 333-165154, No. 333-168562, No. 333-221218) pertaining to the Papa John's International, Inc. Nonqualified Deferred Compensation Plan filed March 2, 2010, August 5, 2010, and October 30, 2017, respectively,

(iii) Registration Statement (Form S-8 No. 333-168561) pertaining to the Papa John's International, Inc. 401(k) Plan filed August 5, 2010,

(iv) Registration Statement (Form S-8 No. 333-173893) pertaining to the Papa John's International, Inc. 2011 Omnibus Incentive Plan filed May 3, 2011, and

(v) Registration Statement (Form S-8 No. 333-224770) pertaining to the Papa John's International, Inc. 2018 Omnibus Incentive Plan filed May 9, 2018,

of our report dated February 27, 2018, except for Notes 16 and 24, as to which the date is March 8, 2019, with respect to the consolidated financial statements of Papa John's International, Inc. and Subsidiaries included in this Annual Report (Form 10-K) of Papa John's International, Inc. and Subsidiaries for the year ended December 30, 2018.

/s/ Ernst & Young LLP

Louisville, Kentucky
March 8, 2019

EXHIBIT 31.1

SECTION 302
CERTIFICATION

I, Steve M. Ritchie, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 8, 2019

/s/ Steve M. Ritchie
Steve M. Ritchie
President and
Chief Executive Officer

SECTION 302
CERTIFICATION

I, Joseph H. Smith IV, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 8, 2019

/s/ Joseph H. Smith IV
Joseph H. Smith IV
Senior Vice President, Chief Financial Officer

EXHIBIT 32.1

**SECTION 906
CERTIFICATION**

I, Steve M. Ritchie, 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-K of the Company for the annual period ended December 30, 2018 (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: March 8, 2019	/s/ Steve M. Ritchie
	Steve M. Ritchie
	President and Chief Executive Officer

EXHIBIT 32.2

SECTION 906
CERTIFICATION

I, Joseph H. Smith IV, Senior Vice President, 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-K of the Company for the annual period ended December 30, 2018 (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: March 8, 2019

/s/ Joseph H. Smith IV
Joseph H. Smith IV
Senior Vice President, Chief Financial Officer